OREGON ACCOUNTING MANUAL

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES STATEWIDE POLICY	**NUMBER** 01.05.00	**SUPERSEDES** 01.05.00 dated 01/22/2018
	EFFECTIVE DATE 01/01/2025	**PAGE NUMBER** Pages 1 of 3
Division **Chief Financial Office**	**REFERENCE/AUTHORITY** ORS 291.015 ORS 291.040 ORS 293.590 ORS 293.600	
Policy Owner Office of the State Controller		
SUBJECT Introduction: Scope and Applicability	**APPROVED SIGNATURE** ***Kate Nass, Chief Financial Officer*** ***Approval on file***	

PURPOSE
This policy provides the scope and applicability of the Oregon Accounting Manual.

APPLICABILITY
This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted as noted in the paragraphs below.

FORMS/EXHIBITS/INSTRUCTIONS
None.

DEFINITIONS
Click here for **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS
None.

POLICY:
Purpose and Scope of the Oregon Accounting Manual

.101 In Chapter 291 and 293 of the Oregon Revised Statutes (ORS), the Department of Administrative Services (DAS) is charged with directing and controlling the accounting of state government fiscal operations. DAS is responsible for establishing and maintaining systems of accounting for state government and for prescribing the principles, standards, and requirements of those systems to be used by state agencies. Many controls are directly built in to the Statewide Financial Management Application (SFMA) operated by the Office of the State Controller, which is within the Chief Financial Office. The Oregon Accounting Manual (OAM) provides a comprehensive set of policies and procedures to assist state fiscal managers with analyzing, processing, and reporting financial transactions in accordance with generally accepted accounting principles (GAAP), federal regulations, and Internal Revenue Service (IRS) requirements. The Office of the Chief Financial Officer (CFO) at DAS establishes statewide policies in the OAM primarily to:

a. Ensure consistency in the application of generally accepted accounting principles;

b. Provide guidance for agencies to establish and monitor sound internal controls to protect the state's assets;

c. Support the coordination of accurate financial reporting and adequate financial disclosure;

d. Promote compliance with applicable state statutes and certain federal regulations;

e. Provide guidance on the proper use of SFMA along with the proper use and necessary controls in the applicable payroll portions of Workday; and

f. Promote efficient financial management through the provision of useful reference materials and standardized forms.

.102 Each agency head is responsible to ensure compliance with state statutes applicable to the agency. The OAM does not, and is not intended to, describe or duplicate the requirements of all state statutes of a fiscal nature.

.103 When agencies develop internal procedures to implement standards or guidelines contained in the OAM, those procedures should be consistent with OAM provisions. Agencies may, at their discretion, adopt procedures that are more restrictive than the requirements of the OAM.

.104 If any provisions of OAM policies or procedures conflict with bargaining agreements, the provisions of bargaining agreements would supersede OAM guidance.

State Agencies Subject to Oregon Accounting Manual Provisions

.105 As used in ORS 291.015 (defined in ORS 291.002), "state agency" means every state officer, board, commission, department, institution, branch or agency of the state government, whose costs are paid wholly or in part from funds held in the State Treasury (including funds held in trust by an agency), except the Legislative Assembly, the courts and their officers and committees, the Secretary of State, and the State Treasurer. Thus, this definition serves to indicate that the Legislative Assembly, the courts and their officers and committees, the Secretary of State, and the State Treasurer are exempt from the provisions of the OAM. Furthermore, ORS 293.590, which charges DAS with directing and controlling the accounting of state government, is applicable to the Legislative Assembly, the courts and their officers and committees, the Secretary of State, and the State Treasurer only at their option.

.106 The provisions of the OAM are not applicable to public universities with governing boards (University of Oregon, Oregon State University, Portland State University, Western Oregon University, Southern Oregon University, Eastern Oregon University, and Oregon Institute of Technology), which are component units of the State, as per ORS 352.138.

.107 The provisions of the OAM are not applicable to the Oregon Health and Science University (OHSU), a component unit of the State, as per ORS 353.100.

.108 The provisions of the OAM are not applicable to the State Accident Insurance Fund Corporation (SAIF Corporation), a component unit of the State, as per ORS 656.753.

.109 The Travel Information Council is not subject to the provisions of the OAM, as per ORS 377.836.

.110 The Commodity Commissions are not subject to the provisions of the OAM, as per ORS 576.311.

.111 The Oregon Film and Video Office is not subject to the provisions of the OAM, as per ORS 284.375.

.112 The Oregon Tourism Commission is not subject to the provisions of the OAM, as per ORS 284.118.

.113 Oregon Corrections Enterprises is not subject to the provisions of the OAM, as per ORS 421.352.

.114 The State Fair Council, a component unit of the State, is not subject to the provisions of the OAM, as per ORS 565.456.

.115 Semi-independent state agencies that are not part of the State's reporting entity (meaning, are not required to be included in the State's annual financial statements) are not subject to the provisions of the OAM, as per ORS 182.460.

.116 The Oregon Utility Notification Center is not subject to the provisions of the OAM, as per ORS 757.552

.117 Agencies that are exempt from the provisions of the OAM, but are included in the State's reporting entity (meaning, are required to be included in the State's annual financial statements), are responsible to follow applicable IRS requirements and federal regulations as well as maintain accurate accounting records in accordance with generally accepted accounting principles to allow Statewide Accounting and Reporting Services (SARS) to complete the annual financial reports of the State of Oregon. Such agencies are required to submit annual financial reports and disclosure information as requested by SARS.

.118 Agencies that are not subject to the provisions of the OAM, as noted in this policy, are nevertheless responsible to follow specific state statutes and federal regulations applicable to them.

.119 Unless specifically exempted by statute (either in general or for specific topic areas within the OAM), all other state agencies not noted in paragraph .105 through .116 above must follow the provisions of the OAM.

Exceptions to Oregon Accounting Manual Policies

.120 Unless otherwise noted in a specific OAM policy or procedure, any requests for exception to OAM policies should be directed (in writing) to the State Chief Financial Officer. Policy exceptions will be considered on a case-by-case basis. Approved exceptions should be kept on file by the agency for documentation and audit purposes. Exception requests must include the following:

a. The specific OAM policy number(s) and paragraph(s) the request applies to;

b. Justification of the reason(s) for the exception; and

c. Length of time the exception would be necessary.

.121 From time to time, OAM policies may be temporarily superseded by Governor's Executive Orders or directives that are implemented on a statewide basis (e.g., temporary restrictions on non-travel business meals).

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Authority **ORS 293.265**
ORS 293.590
ORS 297.120
ORS 297.210

Agency Management

.101 Management of each state agency has front-line responsibility for the accuracy and adequacy of its accounting and financial reporting. This manual provides policies and procedures to follow in performing accounting functions. There are also several state agencies or divisions that provide services associated with accounting, as described in the following paragraphs.

State Controller's Division

.102 The State Controller's Division consists of five functions: Statewide Financial Management Services (SFMS), Statewide Accounting and Reporting Services (SARS), Oregon State Payroll Services, Shared Client Services and Statewide Revenue Support Services. While all these functions provide accounting related services, SFMS and SARS are most involved in providing assistance to state agencies and accountants.

.103 SFMS is responsible for the operation of the State's accounting system. They provide operational control and support for **R*STARS** and **ADPICS**. They are responsible for system design and enhancement, and provide control over changes to the tables and profiles.

.104 Each state agency using R*STARS has an assigned SFMS analyst. The analyst is available to answer questions about the accounting system and assist with locating appropriate transaction codes or accounts. The analyst will also assist with establishing new agencies, funds, and profiles within the accounting system.

.105 SARS is responsible for the statewide development and coordination of accounting, financial reporting and fiscal management policies and procedures in accordance with **generally accepted accounting principles (GAAP)**, federal regulations, and state laws. They also provide formal training on accounting and reporting matters to agency accountants. SARS coordinates the State's year end closing process and prepares **Oregon's Comprehensive Annual Financial Report**.

.106 Each state agency has an assigned SARS analyst. SARS analysts provide professional assistance and consultation on accounting matters to state agencies.

.107 SARS manages the computer security function for the State's financial systems. They also manage the SCD Accounting DataMart, a database of accounting data available to agency fiscal personnel for ad hoc reporting or researching transactions.

State Treasury

.108 The State Treasury is the central bank for state agencies. State agencies are required by law to deposit their moneys with the Treasury. Treasury processes checks and warrants and provides an automated banking system. Treasury also issues the State's debt, and manages the State's investments.

Secretary of State Audits Division

.109 The Audits Division is responsible for auditing the books and records of the State's agencies. It audits the state's Comprehensive Annual Financial Report and Schedule of Expenditures of Federal Awards annually. It also conducts financial and other audits of State agencies and functions, and is responsible for the investigation of losses of public funds.

Budget and Management Division

.110 The Budget and Management Division (BAM) of the Department of Administrative Services prepares the Governor's Recommended Budget, which is the starting point for establishing the State's biennial budget. It also monitors agency spending to assure budgets are not exceeded, and coordinates financing of capital construction. Each state agency has an assigned BAM analyst who will assist them with budget matters.

OAM Maintenance

.111 The responsibility for maintenance of the Oregon Accounting Manual (OAM) lies with SARS. All revisions to the manual must be approved by SARS and signed by the State Controller.

.112 SARS will review the OAM annually and update it as necessary. They will also revise the OAM as appropriate when new accounting standards are issued, and when the State adopts new policies that affect accounting and financial reporting. Draft revisions will be posted on the SCD web site for agency review and comment prior to finalization.

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	05.10.00
Division:	State Controller's Division	Effective date:	February 12, 2008
Chapter:	**Relational Statewide Accounting and Reporting System (R*STARS)**		
Part:	**Overview**		
Section:			
Approved:	John Radford, State Controller	Signature on file at SCD	

R*STARS as System of Record

.101 The Relational Statewide Accounting and Reporting System (R*STARS) is Oregon's official accounting system. With limited exceptions, all primary government agencies record their accounting transactions in R*STARS. In a few instances, agencies may record transactions initially into another accounting system and interface those transactions to R*STARS.

R*STARS Structure

.102 The Statewide Financial Management Application (SFMA) consists of two parts: R*STARS and the Advanced Purchasing and Inventory Control System (ADPICS). ADPICS is used for purchase processing and interfaces with R*STARS.

.103 There are eight data classification structures within R*STARS:

- Fund
- General ledger
- Object
- Appropriation
- Program
- Organization
- Project
- Grant

The first four of these are the key structures used in statewide financial reporting and budgeting. The last four are established at the agency level.

.104 Agencies are responsible for designing and setting up a structure in R*STARS, including fund, program, organization, project and grant elements as appropriate.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT:	Accounting and Reporting	**Number:** 05.20.00
DIVISION:	Chief Financial Office	**Effective date**: January 22, 2018
Chapter:	Relational Statewide Accounting and Reporting System (R*STARS)	
Part:	Fund and Appropriation Structure and Usage	
Section:		
APPROVED:	George Naughton, Chief Financial Officer	Signature on file

PURPOSE: This policy provides information about the fund and appropriation structure in R*STARS as well as information about the proper use of special revenue and proprietary GAAP fund types.

AUTHORITY: **ORS 293.590**
NCGA Statement No. 1
GASB Statement No. 34
GASB Statement No. 54

APPLICABILITY: This policy applies to all state agencies included in the state's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

DEFINITIONS: **Fund:** A fiscal and accounting entity (with a self-balancing set of accounts used to record cash, other assets, liabilities, and equity balances) segregated to carry out specific activities or achieve specific objectives as directed by law, restrictions, or limitations.

GAAP fund: The fund level used for financial reporting purposes. In R*STARS, each D23 fund rolls up to a pre-determined GAAP fund that is designated on the D23 screen fund profile. A GAAP fund typically incorporates multiple D23 funds.

Appropriated fund: The budgeted source of funding, including general funds, federal funds, lottery funds, or other funds. It also includes funding for capital improvement, capital construction, and debt service, if applicable.

Stabilization fund: An account for amounts formally set aside in case of emergencies, revenue shortfalls, or budgetary imbalances. Those amounts are subject to controls that dictate the circumstances under which they can be spent. Authority to set aside those amounts comes from the Oregon Constitution or the Oregon Revised Statutes. The specific circumstances under which the state may spend these amounts are expected to occur infrequently.

Click here for other **definitions**.

POLICY:

101. Agency management is responsible for establishing and maintaining appropriate fund and appropriation structures in **R*STARS**, the state's central financial system.

PROCEDURES:

Establishing a Fund Structure in R*STARS

102. Complete the D23 Fund Profile form to establish a new fund structure in R*STARS. **http://www.oregon.gov/das/Financial/AcctgSys/Pages/forms.aspx**

103. Include the source of funding, appropriation number, GAAP fund, appropriated fund, documentation of the legal authority, and other requested information. Submit the form and related documentation to Statewide Financial Management Services (SFMS). **http://www.oregon.gov/das/Financial/AcctgSys/Pages/analysts.aspx**

104. Prior to setting up the fund, SFMS will ask the appropriate Statewide Accounting and Reporting Services (SARS) analyst to verify the GAAP fund and the GASB 54 code, if applicable.

105. Use the information below to determine the appropriate GAAP fund and appropriated fund.

GAAP Funds

106. **Governmental GAAP Funds:** The state uses **governmental GAAP funds** to report governmental activities, many of which are tax-supported. Governmental GAAP fund types include the **General Fund**, **special revenue funds, debt service funds, capital project funds,** and **permanent funds**. D23 funds that close to governmental GAAP funds use the current financial resources measurement focus and the modified accrual basis of accounting.

107. **General Fund:** Use this GAAP fund to account for and report all financial resources not accounted for and reported in another GAAP fund.

108. **GASB 54 General Fund:** Use this GAAP fund to account for and report D23 funds that are not budgeted as General Fund, yet do not meet the accounting requirements to be reported in any of the other GAAP fund types.

109. **Special Revenue Funds:** Use this GAAP fund type to account for and report the proceeds of specific revenue sources if:

   a. Those revenues are restricted or committed for specific purposes (other than debt service and capital projects), and

   b. The total of the restricted and committed revenues comprise a substantial portion of the GAAP fund's inflows. (For this purpose, the state considers 30 percent or more of total inflows to be substantial.)

   In addition, the agency must expect the restricted and committed revenues to continue to comprise a substantial portion of the total inflows going forward. Refer to Appendix C of this policy for specific instructions on how to determine if a D23 fund should be reported in a special revenue GAAP fund or the GASB 54 General Fund.

110. **Capital Projects Fund:** Use this GAAP fund to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including acquisition or

construction of capital facilities and other capital assets. Do not use the Capital Projects GAAP Fund to account for capital outlays financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

*NOTE: Report D23 funds used to account for capital projects financed through **General Fund appropriations** in the General Fund rather than the Capital Projects GAAP Fund.*

111. **Debt Service Funds:** Use this GAAP fund type to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. A debt service GAAP fund must be used if:

a. Legally mandated, or

b. Financial resources are being accumulated to pay principal and interest maturing in the future.

*NOTE: Report D23 funds used to account for debt service financed through **General Fund appropriations** in the General Fund rather than the Debt Service GAAP Funds.*

112. **Permanent Fund:** Use this GAAP fund to account for and report resources that are restricted to the extent that only the earnings, and not the principal, may be used to support programs for the benefit of the government or citizens.

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113. **Proprietary Funds:** The state uses **proprietary GAAP funds** to report business-type activities similar to private sector operations. Proprietary GAAP fund types include **enterprise funds** and the **internal service funds**. D23 funds that close to proprietary GAAP funds use the economic resources measurement focus and the accrual basis of accounting.

114. **Enterprise Funds:** Use this GAAP Fund type to report any activity for which an agency charges a fee to external users for goods or services. Agencies *must* use an enterprise GAAP fund if any of the following criteria applies:

a. The activity is financed with debt that is secured solely by a pledge of the net revenue from fees and charges of the activity.

b. Laws or regulations require that the activity's costs of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues.

c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

115. **Internal Service Funds:** Use this GAAP fund type to report activities that provide goods or services to other funds, state agencies, or the state's component units on a cost-reimbursement basis. Generally accepted accounting principles specify using either an internal service fund or the General Fund to report risk financing activities (insurance programs). The state reports its risk financing activities in the Central Services GAAP fund.

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116. **Fiduciary Funds:** The state uses **fiduciary GAAP funds** to report resources the state holds in a fiduciary capacity as an agent or trustee. Fiduciary fund types include **pension and other employee benefit trust funds**, **investment trust funds**, **private purpose trust funds**, and **agency funds**. D23 funds that close to fiduciary GAAP funds use the economic resources

measurement focus and the accrual basis of accounting, except for agency funds, which have no measurement focus.

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117. **Government-wide Reporting Fund:** The state uses the **government-wide reporting GAAP fund** to convert governmental fund activities to the economic resources measurement focus and full accrual basis of accounting. This conversion allows the capital assets, long-term liabilities, certain deferred inflows of resources, and certain deferred outflows of resources associated with governmental funds to be reported in the state's government-wide financial statements.

118. Refer to Appendix A for a list of GAAP funds, including descriptions.

Appropriated Funds

119. The Chief Financial Office, Statewide Audit and Budget Reporting Section (SABRS), controls the appropriation structure in R*STARS. SABRS establishes appropriation numbers in R*STARS for General Fund revenue, General Fund appropriations, and all **limitations**; each five-digit appropriation number represents a line item in the legislatively approved budget.

120. The appropriation numbering scheme designates the funding source: general funds, federal funds, lottery funds, and other funds.

3XXXX	Other funds and non-limited other funds
4XXXX	Lottery funds
6XXXX	Federal funds and non-limited federal funds
7XXXX	General Fund revenue
8XXXX	General Fund appropriation

Each appropriation number is tied to an appropriated fund.

121. The state uses separate appropriated funds to track capital projects. Capital projects include expenditures that increase the value of capital property, extend the useful life, or adapt the property to a different use. Use a *capital improvement* appropriated fund (XX10), if the project is budgeted at less than $1,000,000. Use a *capital construction* appropriated fund (XX20), if the project is budgeted for $1,000,000 or more.

122. The state also uses separate appropriated funds to track debt service activity. Debt service includes expenditures for principal and interest on bonds and certificates of participation (XX30).

123. Refer to Appendix B for a list of the appropriated funds, including descriptions.

Stabilization Funds

124. The state maintains two stabilization funds. The Legislature appropriates these resources only when specific circumstances related to economic or revenue conditions exist.

125. ORS 293.144 authorizes the Oregon Rainy Day fund. The fund (agency 999; D23 fund 2700) accounts for resources that have been transferred from the General Fund according to state law. Because these resources do not derive from specific restricted or committed revenue sources, the state reports this D23 in the General Fund, but has given it an individual GAAP fund (0055) for ease of tracking the balance .

126. The Oregon Constitution, Article XV, Section 4, authorizes the Education Stability Fund. The fund (agency 107; D23 fund 4750) accounts for net lottery proceeds that have been set aside to

support public education. The state reports this fund in the Educational Support GAAP Fund (a special revenue GAAP fund).

Disclosure Requirements

127. SARS prepares the Budgetary Statement of Legal Compliance (BSLC) in conjunction with preparation of the **Comprehensive Annual Financial Report** (CAFR). The BSLC displays budgetary compliance at the legal level of control, i.e., it compares budgeted and actual expenditures at the appropriation number level.

128. SARS also presents budgetary comparison schedules in the CAFR. These schedules compare budgeted expenditures to actual expenditures by funding source. SARS includes only those appropriated funds that are subject to appropriation or limitation.

Appendix A
GAAP Funds - DRAFT

General Fund		Purpose
0001	General Fund	Used to account for General Fund revenues and expenditures, including debt service and capital projects funded by General Fund appropriations.
0054	GASB 54 General Fund	Governmental activities that are not budgeted as General Fund, yet do not meet the accounting requirements to be reported in other GAAP funds.
0055	Oregon Rainy Day Fund	A stabilization fund which accounts for resources that have been transferred from the General Fund (GAAP 0001) in accordance with state law. These resources, along with investment income generated, can be appropriated by the Legislature only when certain criteria related to economic or revenue conditions have been met. Because these resources do not derive from a specific restricted or committed revenue source, the state reports this fund in the CAFR as part of the General Fund.

Special Revenue Funds		Purpose
1101	Agricultural Resources Fund	Programs related to the promotion, inspection, and regulation of the state's agricultural industry.
1102	Business Development Fund	Programs that expand existing businesses as well as attract and promote new businesses.
1103	Community Protection Fund	Activities that help to ensure the safety of the state's citizens and their property through the courts, police, military, and correctional facilities.
1104	Consumer Protection Fund	Programs that regulate existing businesses and license various professionals and organizations.
1105	Educational Support Fund	Programs that provide students with opportunities to develop their academic abilities to the fullest from early childhood to postgraduate research, not including activities accounted for in the Common School Fund.
1106	Employment Services Fund	Programs that provide workers with a safe and secure workplace.
1107	Environmental Management Fund	Programs that promote, protect, and preserve the state's forests, parks, wildlife, fish, and waterways.
1108	Health and Social Services Fund	Programs that provide assistance, services, training, and healthcare to individuals and families who do not have sufficient resources to meet their basic needs.
1109	Nutritional Support Fund	Programs to improve the diets of low-income households and school children.
1110	Other Special Revenue Fund	Programs that do not match any of the other special revenue fund definitions.

1111	Public Transportation Fund	The planning, design, construction and maintenance of highways, roads, bridges and public systems relating to air, water, rail, and highway transportation.
1112	Residential Assistance Fund	Programs that help to meet the housing and energy needs of low-income Oregonians.
1113	Common School Fund	Programs to manage state-owned land, including a leasing program that generates annual revenues, for the benefit of the public school system. Also includes funds that become the property of the state, such as estate funds, unclaimed property, and income derived from unclaimed property.

Debt Service Funds		**Purpose**
2001	Revenue Bond Fund	The accumulation of resources for payment of debt service on revenue bonds not reported in proprietary funds.
2002	Certificates of Participation Fund	The accumulation of resources for payment of debt service on certificates of participation not reported in proprietary funds.
2003	General Obligation Bond Fund	The accumulation of resources for the payment of debt service on general obligation bonds not reported in the General Fund, other governmental funds, or proprietary funds.

Capital Projects Fund		**Purpose**
3001	Capital Projects Fund	The expenditure of resources for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Enterprise Funds		**Purpose**
4001	Housing and Community Services Fund	Activities that finance multi-family rental housing and single-family mortgages for low to moderate-income families.
4002	Veterans' Loan Fund	Activities to finance owner-occupied, single-family residential housing for qualified eligible Oregon veterans.
4003	Energy Loan Fund	Activities to provide low-interest loans for renewable energy resource and energy conservation projects.
4005	Business Development Fund	Resources used to finance land, buildings, machinery, and permanent working capital for eligible activities including those determined to diversify an economic base.
4006	Special Public Works Fund	Loans and grants to local governments for construction of infrastructure required to support needed public services.
4007	State Hospitals Fund	Operation of state hospitals and state residential group homes that provide treatment services for specific citizens as well as training and care for developmentally disabled persons.
4008	Lottery Operations Fund	Operation of the Oregon State Lottery which markets and sells Lottery products to the public.

4009	Liquor Control Fund	Operation of the Oregon Liquor Control Commission that regulates the sale and use of alcoholic beverages and promotes responsible alcohol use.
4011	Standard Retiree Health Insurance (SRHIA) Fund	Operation of the PERS healthcare program, a public entity risk pool.
4013	Other Enterprise Funds	Sales of goods and services to the public not specifically accounted for in another enterprise fund.
4014	Veterans' Home Fund	Operation of the Oregon Veterans' Home, which provides skilled nursing and Alzheimer's disease care to some of Oregon's most vulnerable veterans.
4015	Unemployment Compensation Fund	Federal moneys and unemployment assessments collected from employers to provide payment of benefits to the unemployed.
4017	Water/Wastewater Financing Fund	Loans and grants to municipalities to improve compliance with federal and state water quality standards.
4018	Safe Drinking Water Fund	Low-cost financing for construction and/or improvements of public and private water systems.

Internal Service Funds		**Purpose**
5001	Central Services Fund	Services provided to state agencies such as accounting, budgeting, personnel, mail and shuttle, purchasing, printing, copy center, data center, property development, telecommunications, motor pool, and an insurance fund.
5002	Legal Services Fund	Activities of the Attorney General's office to represent and advise the state's elected and appointed officials, agencies, boards, and commissions.
5003	Banking Services Fund	Activities of the Oregon State Treasury to provide banking, investment, and debt management services to state agencies.
5004	Audit Services Fund	Activities of the Secretary of State, Audits Division, to provide independent auditing services to state agencies.
5005	Forestry Services Fund	Activities of the Department of Forestry to operate an equipment and maintenance pool that provides transportation, heavy equipment, and aircraft support for operating programs and other state agencies.
5006	Health Services Fund	Activities of the Public Employees Benefit Board (PEBB) and of the Human Services/Health Authority shared services organization.
5007	Other Internal Service Funds	Sales of goods and services to other state funds or agencies through activities not specifically accounted for in another internal service fund.

Pension and Other Employee Benefit Trust Funds		**Purpose**
6100	Public Employees Defined Benefit Pension Plan Fund	Activities of the defined benefit portion of the Oregon Public Service Retirement Plan (OPSRP) administered by the Public Employees Retirement System (PERS) under Oregon Revised Statutes, Chapter 238, and Internal Revenue Code (IRC) Section 401(a).
6102	Deferred Compensation Plan Fund	Activities of the Oregon Savings Growth Plan, an IRC Section 457 deferred compensation plan offered to employees of the state and administered by PERS.
6103	Individual Account Program Defined Contribution Pension Plan Fund	Activities of the defined contribution portion of the OPSRP administered by PERS.
6105	Retirement Health Insurance Account (RHIA) OPEB Plan Fund	Activities of the RHIA cost-sharing, multiple-employer Other Postemployment Benefit (OPEB) plan administered by PERS. The RHIA is a defined benefit OPEB plan established pursuant to IRC Section 401(h). The plan authorizes a payment of up to $60 towards the monthly cost of health insurance for eligible PERS members participating in PERS-sponsored health insurance plans.
6106	Retiree Health Insurance Premium Account (RHIPA) OPEB Plan Fund	Activities of the RHIPA single-employer OPEB plan administered by PERS. The RHIPA is a defined benefit OPEB plan established pursuant to IRC Section 401(h). The plan authorizes payment to eligible retired state employees of the average difference between the health insurance premiums paid by retirees, under contracts entered into by the PERS Board, and health insurance premiums paid by state employees who are not retired.

Agency Funds		**Purpose**
6405	Custodial Agency Funds	Resources held in an agent or custodial capacity for other governments or entities outside of the state. It includes all agency funds except those used to hold resources for other funds or other agencies within the state.
6406	Clearing Agency Funds	Balances intended for other funds or other agencies. It is cleared for year end reporting.

Investment Trust Funds		**Purpose**
6501	Short Term Investment Trust Fund	The local government portion of the cash and short-term investment pool managed by the Oregon State Treasury.

6502	Intermediate Term Investment Trust Fund	Portion of an intermediate-term fixed income investment pool belonging to entities other than state agencies, managed by the Oregon State Treasury
6503	Local Government Intermediate Investment Trust Fund	Intermediate-term investment pool, exclusively for local governments needing a longer investment term, managed by the Oregon State Treasury.

Private Purpose Trust Fund		**Purpose**
7002	Private Purpose Trust Fund	Accounts for all trust arrangements, other than those properly reported in pension and other employee benefit trust funds or investment trust funds, under which principal and income benefit specific individuals, private organizations, or other governments. The assets of private purpose trust funds are not owned by state government.

Permanent Fund		**Purpose**
7505	Permanent Fund	Resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the state's programs.

Government-Wide Reporting Fund		**Purpose**
8500	Government-Wide Reporting Fund	Long-term accounts and transactions used to convert governmental funds to a full accrual basis for reporting in the government-wide financial statements.

Other Funds		**Purpose**
3010	Other Funds Capital Improvements	Capital improvements funded with other funds.
3020	Other Funds Capital Construction	Capital construction funded with other funds.
3200	Other Funds Non-limited	Expenditures made with other funds that are not subject to expenditure limitation by the Legislature.
3230	Other Funds Debt Service Non-limited	Other funds used to pay principal, interest and other debt service that is not subject to legislative limitation.
3400	Other Funds Limited	Expenditures made with other funds that are subject to legislative limitation except for capital improvements, capital construction, and debt service.
3430	Other Funds Debt Service Limited	Other funds used to pay principal, interest, and other debt service that is subject to legislative limitation.
3600	Other Funds Non-budgeted	Expenditures made with other funds that are not included in the budget process.

Lottery Funds		**Purpose**
4010	Lottery Funds Capital Improvements	Capital improvements funded with lottery moneys.
4020	Lottery Funds Capital Construction	Capital construction funded with lottery moneys.
4400	Lottery Funds Limited	Expenditures made with lottery moneys except for capital improvements, capital construction, and debt service.
4430	Lottery Funds Debt Service Limited	Lottery moneys used to pay principal, interest, and other debt service.

Federal Funds		**Purpose**
6010	Federal Funds Capital Improvements	Capital improvements funded with federal funds.
6020	Federal Funds Capital Construction	Capital construction funded with federal funds.
6200	Federal Funds Non-limited	Expenditures made with federal funds that are not subject to legislative limitation.
6230	Federal Funds Debt Service Non-Limited	Federal funds used to pay principal, interest and other debt service that is not subject to legislative limitation.
6400	Federal Funds Limited	Expenditures made with federal funds except for capital improvements, capital construction, and debt service.

6430	Federal Funds Debt Service Limited	Federal moneys used to pay principal, interest, and other debt service.
6600	Federal Funds Non-budgeted	Expenditures of federal funds that are not included in the budget process.

General Fund		**Purpose**
8000	General Fund	Expenditures funded by General Fund appropriation except capital improvements, capital construction, and debt service.
8010	General Fund Capital Improvements	Capital improvements funded by General Fund appropriations.
8020	General Fund Capital Construction	Capital construction funded by General Fund appropriation.
8030	General Fund Debt Service	Principal, interest, and other debt service paid with the General Fund.
8800	General Fund Revenue	General Fund revenue received by the state.
9998	Government-Wide Reporting Fund	Used in conjunction with GAAP fund 8500, Government-Wide Reporting Fund.

Appendix C - DRAFT
A Guide for Analyzing Special Revenue Funds
Under GASB Statement No. 54

INTRODUCTION

Special revenue funds account for and report the proceeds of ***specific revenue sources*** that are ***restricted or committed*** to expenditure for ***specified purposes*** other than debt service or capital projects.

The term "proceeds of specific revenue sources" means that one or more specific restricted or committed revenues should be the foundation of a special revenue fund. The restricted or committed proceeds of specific revenue sources must comprise a substantial portion of the "inflows" reported in the fund. For state financial reporting purposes, the substantial portion test is met if total restricted and committed revenues comprise at least 30 percent of the total inflows of a GAAP-level special revenue fund.

Agencies do not need to review their special revenue funds every year. Instead, the determination of whether an activity is appropriately reported in a special revenue fund is based on the agency's expectation that the inflows used in the calculations will continue to be available in the future in roughly the same percentages.

There is one caveat. The question of whether an activity is appropriately reported in a special revenue fund should be reexamined each time an agency requests a new D23 fund that rolls up to a special revenue GAAP fund. The agency will need to estimate the inflows of the new D23 fund and then complete the test at the GAAP fund level.

NOTE: The process of determining if a new D23 fund may be classified as a special revenue fund is independent of the process of determining the appropriate fund balance classification, which is discussed in Appendix A of OAM 15.85.00, Fund Equities*.* ***Determine the appropriate fund balance category first; then perform the special revenue fund test.***

SPECIAL REVENUE GAAP FUNDS

Step 1: Does the new D23 fund account for activities that are normally associated with one of the special revenue GAAP funds listed below?

If the answer is **YES**, go to Step 2 to determine whether to report this activity in a special revenue fund.

If the answer is **NO**, **STOP!** This process does not apply.

1101	Agricultural Resources	1108	Health and Social Services
1102	Business Development	1109	Nutritional Support
1103	Community Protection	1110	Other
1104	Consumer Protection	1111	Public Transportation
1105	Educational Support	1112	Residential Assistance
1106	Employment Services	1113	Common School Fund
1107	Environmental Management		

TRANSFERS-IN

Step 2: Are transfers-in the only source of inflows in the new D23 fund?

If the answer is **NO**, go to Step 3.

If the answer is **YES**, see the options below:

> **Option 1:** Designate GAAP Fund 0054 (GASB 54 General Fund) as the GAAP fund for the new D23 fund without further analysis. The Capital Projects GAAP fund or a debt service GAAP fund may also be used, if appropriate.
>
> **Option 2:** If you prefer not to report the new D23 fund in GAAP Fund 0054, the Capital Projects GAAP fund, or a debt service GAAP fund, go to Step 3 to perform the special revenue fund test. (The D23 fund may qualify to be reported in a special revenue GAAP fund based on one condition: after adding the inflows of the new D23 fund, the restricted and committed revenues at the GAAP fund level still meet the 30 percent test.)
>
> > **Caution:** If resources have been transferred between D23 funds within the same GAAP fund, eliminate those transfers so that the same inflows are not counted twice.

EXAMINE REVENUE SOURCES (The Special Revenue Fund Test)

Step 3: Determine the special revenue GAAP fund that most closely aligns with the expected activities of the new D23 fund.

Step 4: Use the G54 codes (OAM 15.85.00) of the D23 funds currently reported in the special revenue GAAP fund identified in Step 1 to prepare an analysis of the GAAP fund's inflows. Segregate the revenue sources as restricted, committed, or assigned.

> **Caution:** Remember that all revenues are inflows, but not all inflows are revenues. Transfers-in are "other financing sources" for financial reporting. Do not include them as revenues for purposes of this test. (Inflows = Total Revenues + Total Transfers-in)

Step 5: Add the expected inflows of the new D23 fund to the analysis.

> **Caution:** Remember to determine the proper fund balance classification and GASB 54 code(s) for the new D23 fund before performing the special revenue fund test. (Refer to Appendix A of OAM 15.85.00.)

Step 6: Add total restricted and committed revenue sources together and determine their combined percentage of the total inflows. Do the total restricted and committed revenue sources represent 30 percent or more of the total inflows?

Step 6 (cont'd.)

If the answer is **YES**, report the new D23 fund in the special revenue GAAP fund. No further action is required.

If the answer is **NO**, do not report the new D23 fund in a special revenue GAAP fund. Instead, report the D23 fund in the GASB 54 General Fund, the Capital Projects GAAP Fund, or a debt service GAAP fund, as appropriate.

Example 1

GAAP FUND XXXX		
Description of Inflows	**Amount**	**Revenue Type**
Business taxes	300	Restricted
Other fees	100	Committed
Subtotal restricted/committed	400	
Transfers-in from lottery	4600	Not a revenue
Total inflows	5000	
Total restricted/committed revenues: 400 Total inflows: 5000	8%	Percentage must be 30% or greater.

In this example, the activity should not be reported in a special revenue GAAP fund. Although total inflows ($5,000) are considered restricted or committed *resources*, restricted or committed *revenues* ($400/$5,000) represent only 8 percent of total inflows.

Example 2

GAAP FUND XXXX		
Description of Inflows	**Amount**	**Revenue Type**
Business taxes	200	Restricted
Other fees	175	Committed
Subtotal restricted/committed	375	
Miscellaneous revenues	875	Assigned
Subtotal revenues	1250	
Transfers-in from lottery	300	Not a revenue
Total inflows	1550	
Total restricted/committed revenues: 375 Total inflows: 1550	24%	Percentage must be 30% or greater.

In this example, the activity should not be reported in a special revenue GAAP fund. Although total revenues make up 81 percent ($1,250/$1,550) of total inflows, restricted or committed revenues make up only 24 percent of total inflows ($375/$1,550).

Example 3

GAAP FUND XXXX		
Description of Inflows	**Amount**	**Revenue Type**
Business taxes	400	Restricted
Other fees	500	Committed
Subtotal restricted/committed	900	
Miscellaneous revenues	100	Assigned
Subtotal revenues	1000	
Transfers-in from lottery	500	Not a revenue
Total inflows	1500	
Total restricted/committed revenues: 900 Total inflows: 1500	60%	Percentage must be 30% or greater.

In this example, the activity is appropriately reported in a special revenue GAAP fund because 60 percent of the inflows are restricted or committed revenues ($900/$1,500).

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	05.30.00.PO
Division:	State Controller's Division	Effective date:	February 12, 2008
Chapter:	**Relational Statewide Accounting and Reporting System (R*STARS)**		
Part:	**General Ledger and Object Structure**		
Section:			
Approved:	John Radford, State Controller	Signature on file at SCD	

Authority **ORS 291.015**
ORS 293.590
ORS 293.595

Maintenance of General Ledger and Object Tables

.101 Statewide Financial Management Services (SFMS) Operations is responsible for maintaining the general ledger and comptroller object tables in the Relational Statewide Accounting and Reporting System (R*STARS). Statewide Accounting and Reporting Services will provide advice and assistance to SFMS Operations to ensure that general ledger and comptroller object definitions are in accordance with generally accepted accounting principles.

Agency Management's Responsibility

.102 Agency fiscal management is responsible for ensuring that fiscal staff make appropriate decisions regarding the use of general ledger accounts and comptroller objects, in order to ensure the accuracy and consistency of statewide financial reporting.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Procedure

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	05.30.00.PR
Division:	State Controller's Division	Effective date:	February 12, 2008
Chapter:	**Relational Statewide Accounting and Reporting System (R*STARS)**		
Part:	**General Ledger and Object Structure**		
Section:			
Approved:	John Radford, State Controller	Signature on file at SCD	

Recording Entries in R*STARS

.101 The D31 comptroller General Ledger (GL) account is the level at which general ledger entries to the Relational Statewide Accounting and Reporting System (R*STARS) are posted. These accounts include the assets, liabilities, equities and changes in equities for all agencies on R*STARS. The comptroller GL account rolls up to a GAAP account class (D14). The GAAP account class is the level used by Statewide Accounting and Reporting Services (SARS) to prepare the State's financial statements for the Comprehensive Annual Financial Report (CAFR). A complete listing of the general ledger accounts, with definitions, is at **OAM 60.10.00**.

.102 The D10 comptroller object is the level at which nominal account entries – revenues, transfers and expenditures/expenses – are posted to R*STARS. These comptroller objects roll up to the GAAP source/object (D08), which is the level used for preparation of the operating statements in the CAFR. A complete listing of the comptroller objects and GAAP source/objects is at **OAM 60.20.00**.

.103 All accounting information is recorded into R*STARS by way of transaction codes. The transaction code designates which general ledger account and comptroller object will be posted. Transaction codes are defined in the Transaction Code Profiles in R*STARS (28A and 28B screens).

.104 For guidance in transaction code selection, refer to **OAM 05.35.00.PO** and **OAM 05.35.00.PR**, R*STARS, Transaction Code Structure, and OAM Resources. Statewide Financial Management Services (SFMS) maintains the detailed **T-Codes** listings as a resource on the SFMS website.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	05.35.00.PO
Division:	State Controller's Division	Effective date:	February 12, 2008
Chapter:	**Relational Statewide Accounting and Reporting System (R*STARS)**		
Part:	**Transaction Code Structure**		
Section:			
Approved:	John Radford, State Controller	Signature on file at SCD	

Authority **ORS 291.015**
ORS 293.590
ORS 293.595

Maintenance of Transaction Code Profiles

.101 Statewide Financial Management Services (SFMS) Operations is responsible for maintaining the transaction code profiles in the Relational Statewide Accounting and Reporting System (R*STARS). Statewide Accounting and Reporting Services will provide advice and assistance to SFMS Operations to ensure that transaction code profiles are established in accordance with **generally accepted accounting principles.**

Agency Management's Responsibility

.102 Agency fiscal management is responsible for ensuring that fiscal staff make appropriate decisions regarding the use of transaction codes in order to ensure the accuracy and consistency of statewide financial reporting.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Procedure

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	05.35.00.PR
Division:	State Controller's Division	Effective date:	February 12, 2008
Chapter:	**Relational Statewide Accounting and Reporting System (R*STARS)**		
Part:	**Transaction Code Structure**		
Section:			
Approved:	John Radford, State Controller	Signature on file at SCD	

Authority **ORS 291.015**
ORS 293.590
ORS 293.595
GASB Statement No. 38

Transaction Code Selection

.101 This procedure identifies various factors to consider in transaction code selection, including a general description of the related structural framework in the Relational Statewide Accounting and Reporting System (R*STARS). (Statewide Financial Management Services (SFMS) maintains the detailed **T-Codes** listings as a resource on the SFMS website.)

.102 Before a transaction is recorded; consideration should be given to the following:

a. The financial tables to which the transaction will post.

b. The balance type the system will use to post to the financial tables.

c. The nature of the transaction and the underlying event.

d. The general ledger accounts intended to be impacted by the transaction.

e. The revenue, expenditure, or transfer objects intended to be impacted.

f. The measurement focus and basis of accounting of the fund in which the transaction should be recorded.

Design Concepts

.103 Transaction codes are three digit alpha/numeric codes that determine the accounting impact of financial transactions in R*STARS. Under the single transaction concept, the full range of classification data affected by the transaction and the consequence it has on the system's financial tables are identified at the time a transaction is recorded. Transaction codes are defined by two profiles, the 28A – Transaction Code Decision Profile and 28B – Transaction Code Description Profile. Each accounting event is identified by a transaction code, which defines the general ledger impact (debit and credit accounts) and postings to the financial tables. The transaction code profiles also indicate whether specific data elements are required, optional, or not allowed.

.104 The 28A Transaction Code Decision Profile indicates the following:

a. Specifies the general ledger accounts impacted by the transaction.

b. Identifies the data element coding and editing requirements of each accounting event.

c. Identifies the financial table postings, which determine how transactions are stored in the system for later inquiry and reporting purposes.

d. Specifies what balance types the transaction posts to the financial tables.

e. Identifies if the transaction will produce a warrant.

f. Specifies the posting sequence of the transaction during the batch processing cycle.

.105 The 28B Transaction Code Description Profile indicates the following:

a. Provides a narrative of the transaction code and the effects of its use.

b. Identifies the valid document types for the transaction.

c. Identifies the valid batch types.

d. Provides an option to include or exclude specific comptroller objects or object ranges to be used with the transaction code.

e. Provides an option to include or exclude specific general ledger account ranges that can be entered on the transaction.

Financial Tables

.106 Financial transactions entered into R*STARS are stored in financial tables for later inquiry and reporting. The transaction code indicates the financial tables to which the transaction will post and the balance type the system will use to post to the tables. The 28A Transaction Code Decision Profile provides posting indicators for the following financial tables:

• DF Document Financial	Contains the balance of each outstanding pre-encumbrance, encumbrance, accounts receivable, and due to/from account.
• AP Appropriation	Contains appropriation balances and revenue, expenditure, pre-encumbrance, and encumbrance balances.
• AB Agency Budget	Contains agency budget balances and revenue, expenditure, and encumbrance balances on a program, organization, fund, and/or object basis.
• CC Cash Control	Contains the balance of available cash by fund, cash fund, or appropriated fund, and provides the ability to control and monitor cash disbursements at a defined level of detail.
• GP Grant	Contains the budgets, expenditures, revenues, and transfers in and out related to a particular grant.
• PJ Project	Contains the budgets, expenditures, revenues, and transfers in and out related to a particular project.

.107 Each of these financial tables contains several balance types. The system uses the balance types to accumulate all of the financial data together, regardless of general ledger account. Balance types are defined on the D05 Balance Type Profile, subdivided by TABLE ID (for example DF). Some balance types that commonly appear on the 28A Transaction Code Decision Profile in the file posting indicator fields are:

12 Cash Revenue	18 Encumbrances Outstanding
14 Accrued Revenue	20 Transfer In – Cash
15 Cash Expenditures	21 Transfer Out – Cash
17 Accrued Expenditures	

Numerical Ranges

.108 Transaction codes are grouped by type of transaction. Determining the appropriate range can narrow the search for a particular transaction code.

001-080	Budgetary Transactions
101-199	Revenue, Receipt, and Receivable Transactions
200-299	Pre-encumbrances, Encumbrances, Expenditures, and Disbursements
301-395	System Generated Transactions
398-399	Deposit Liability Reclassification Transactions
400-599	Journal Vouchers (Including Capital Assets)
601-683	SFMA Maintenance Transactions
685-691, 779-795, 996-998	Specialty T-Codes (Central and Agency Specific)
692-697	Balanced Transactions Between Agencies
700-705	Treasury Interface Entries
706-743, 748-765, 866-874	Interagency Transactions
744-747, 800-845, 881-895	Agency Specific Transactions
766-778	Suspense Account Transactions
850-863	Payroll/Mass Transit Transactions
900-949	Fiscal Year End Transactions
950-960	ADPICS Interface Transactions
961-995	Automatic Reversal Transactions

General Ledger Accounts

.109 General ledger accounts contain the records needed to reflect the financial position and results of operations of the State. When determining what transaction code to use, consider the following in relation to general ledger accounts:

a. General ledger accounts that say document supported or billed mean that they are tracked in the document financial table. The document financial table tracks balances of documents at a lower level than general ledger accounts. Non-document supported/unbilled accounts may be used to record summary information when an agency retains its own subsidiary system or does not need a subsidiary record.

b. Certain general ledger accounts allow for further definition at the agency level. If the general ledger edit type on the D31 profile for a comptroller general ledger account contains an “A”, agencies may set up an agency general ledger account on the D32 profile to provide greater detail for that comptroller general ledger account.

c. When the general ledger accounts listed below are used, the transaction code will require that an agency general ledger account be used. The agency general ledger account used in this case is not one established in the D32 Agency General Ledger profile. Rather, the agency general ledger account is a cross reference of the agency numbers and funds involved in the transaction. The agency general ledger is an eight-digit field. The first three digits are the agency number of the other agency. The next four digits are the D23 fund of the other agency. The final digit is always zero. (Also see **OAM 15.45.10** Interfund Services, Reimbursements, and Transfers.)

- 0586 – Due From Other Funds/Agencies
- 0950 – Advances To Other Funds/Agencies
- 1532 – Due To Other Funds/Agencies
- 1800 – Advances From Other Funds/Agencies

d. Some transaction codes allow a choice of general ledger account. If the first debit or credit on a transaction code is left open (blank in the debit or credit field on the 28A screen), the user must fill in the general ledger account number when the transaction is entered. The "optional general ledger" accounts permitted by the transaction code are listed on the 28B screen.

e. Some transaction codes allow the general ledger accounts to be posted in reverse of the way they are shown on the 28A screen. In other words, the general ledger account that is shown as a debit may be credited and vice versa. If the transaction edit indicator field "RVRS" on the 28A screen is blank, the user may input an "R" on the transaction. This causes the general ledger accounts to post the reverse of what would normally be posted to the financial tables.

Revenue, Expenditure, and Transfer Objects

.110 Comptroller objects are use to classify revenues, expenditures, transfers. When determining what transaction code to use, consider the information in paragraphs .111 through .116 in relation to comptroller objects.

.111 The two profiles applicable to objects are the D10, comptroller object profile and the D11, agency object profile. Agencies wanting greater detail may define agency objects. Each agency object profile is tied to an associated comptroller object so that during data entry, the agency object that is entered determines the comptroller object for the transaction.

.112 Transaction codes that are used to record revenues, expenditures and transfers typically use control general ledger accounts. Certain general ledger accounts act as control accounts that accumulate the detailed revenue, expenditure, or transfer transactions for posting. Objects are designated as revenue, expenditure, transfer, other, or statistics on the D10 comptroller object profile. The designation on the D10 profile must be consistent with the designation on the D31 general ledger control account profile when used in a transaction. For example, a personal income taxes revenue object may only be used with a general ledger control account associated with revenue objects. Some general ledger control accounts are:

3100	Revenue Control – Cash
3101	Revenue Control – Accrued
3150	Operating Transfers In Control
3200	GAAP Revenue Offset
3500	Expenditure Control – Cash
3501	Expenditure Control – Accrued
3550	Operating Transfers Out Control
3600	GAAP Expenditure Offset

.113 Governmental Accounting Standards Board (GASB) Statement No. 38 requires that detailed information about interfund and interagency transfers be disclosed. In order to be able to comply with the disclosure requirements, a cross reference number, referred to as GASB 38 code, is required in transactions involving transfers between funds or agencies (D10 comptroller objects 1279-1403, 1430, 1456, 1801-1914, and distributions to state agencies, D10 comptroller objects 6081-6200). The format of the eight-digit GASB 38 code is AAAFFFF0, where AAA is the other agency and FFFF is the applicable D23 fund of the other agency involved in the transaction, followed by a zero.

.114 The comptroller or agency object used in a transfer requires particular attention. Distributions to other state agencies are budgeted as expenditures and roll up to Special Payments to State Agencies. Special Payments to State Agencies are treated as transfers for financial reporting purposes. Special Payments to State Agencies objects should not be used if the transaction involves loans, the sale of goods or services between funds, or repayments to a fund for expenditures or expenses initially made from it that should be charged to a different fund since these items are not appropriately reported as transfers. Special Payments to State Agencies are posted to general ledger account 3500, Expenditure Control – Cash, rather than to general ledger account 3550, Operating Transfers Out Control. Consequently, on a transaction by transaction basis, general ledger account 3150, Operating Transfers In Control for the receiving agency, will not necessarily balance with general ledger account 3550 Operating Transfers Out Control for the agency making the transfer. In order to ensure transfers balance statewide, Special Payments to State Agencies are reclassified to Operating Transfers Out during financial statement compilation.

.115 Comptroller objects 1279 through 1456 are transfer objects, with the following exceptions, which are revenue objects:

1404 Transfer to Cities
1405 Transfer to Counties
1407 Transfer to Oregon Health and Science University
1408 Transfer to Nongovernmental Units
1435 Transfer to Semi Independent Agency

.116 Because the exceptions listed in .115 above are revenue comptroller objects, transaction amounts associated with these objects are considered budgeted revenue distributions rather than budgeted expenditures. Therefore, a reclassification from revenue to expenditure is required during financial statement compilation.

Measurement Focus and Basis of Accounting

.117 In some instances, the measurement focus and **basis of accounting** for the GAAP fund in which a transaction is being recorded will impact transaction code selection. Governmental funds (for example, the general fund and special revenue funds) use a current resources measurement focus and the modified accrual basis of accounting. Proprietary funds (for example enterprise funds and internal service funds) on the other hand, use a total financial resources measurement focus and accrual basis of accounting. Generally accepted accounting principals require that certain transactions be accounted for differently in the different fund types. Accordingly, certain transaction codes are designed to be used only in governmental funds and certain transaction codes are designed to be used only in proprietary funds. When selecting a transaction code, care should be taken to make sure the transaction code is appropriate for the GAAP fund type. In most cases, a transaction code that is designed for use in a specific fund type will include the fund type in the transaction code title or in the transaction code description. For information regarding measurement focus and basis of accounting as well as a list of GAAP funds by associated fund type, refer to **OAM 05.20.00.PR**, Fund and Appropriation Structure.

.118 Some transactions codes that are permissible in all fund types allow general ledger accounts that are not appropriate in all fund types. Transaction codes 474 and 475 each allow a wide range of general ledger accounts and are used for reclassifications in all fund types. Care should be taken to make sure that the general ledger account selected in an entry using these transaction codes is appropriate to the fund type. Capital asset and long-term liabilities general ledger accounts would not be used in governmental funds, for example.

Reference Materials

.119 Statewide Financial Management Services (SFMS) maintains the detailed **T-Codes** listings as a resource on the SFMS website to assist in transaction code selection. For greater detail and further illustration, refer to the R*STARS training manual at http://www.oregon.gov/das/Financial/AcctgSys/Pages/trngmanual.aspx.

.120 A mainframe report (the DAFQ28CO) is available that displays transaction codes numerically and includes information from the 28A and 28B profiles.

.121 A mainframe report is also available (DAFQA010) that lists alpha/numeric transaction codes by general ledger account. Note that one limitation of using this report is that the transaction codes will only appear when the general ledger account is one of the debits or credits on the 28A profile. This report will not list a transaction code if one of the debits or credits is left open and the user must fill in the general ledger account number when the transaction is entered.

OREGON ACCOUNTING MANUAL		Number 10.10.00.PO
Oregon Department of Administrative Services State Controller's Division	**Policy**	Effective Date July 1, 2001
Chapter	**Internal Control**	.1 OF .2
Part	**Management's Responsibilities**	
Section		Approval Signature on file at SCD

Authority **ORS 291.015**

Internal Control Framework

.101 The Committee of Sponsoring Organizations of the Treadway Commission (COSO) released a report in September 1992, that sets the national standards for **internal controls**. The report is titled Internal Control – Integrated Framework and consists of four volumes, including an executive summary. The COSO Report will be the basis for Oregon's internal control framework.

.102 Management of the State is responsible for establishing and maintaining internal control. Internal control is a process effected by management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

.103 According to the COSO model, internal control consists of five interrelated components, which are:

a. *Control environment* sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.

Basic to the control environment are organizational structure, assignment of authority and responsibility, and human resources policy. More difficult to quantify are ethics, commitment to competence, and management operating style.

b. *Risk assessment* is the identification and analysis of risks relevant to achievement of objectives, forming a basis for determining how the risks should be managed.

Management's responsibility is to define compatible relevant objectives and the risks related to achieving those objectives. Management should have a basis for determining which risks are most critical. Management ensures mitigation of key operating risks.

c. *Control activities* are the policies and procedures that help ensure management directives are carried out.

Control activities reflect management's risk mitigation strategy in the form of directive, preventive, and detective controls. Focus is on achieving effectiveness and efficient resource usage as measured by the degree of achievement of control objectives.

Control activities help ensure necessary actions are taken to address risks relevant to achievement of objectives. Examples are physical controls and segregation of duties.

d. *Information and communication* are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities. Information systems deal with both internally generated data and information about external events, activities, and conditions.

Communication involves providing an understanding of individual roles and responsibilities pertaining to internal control. Management is obligated to communicate the standards of measurement for evaluating operations. In other words, sufficient relevant communication promotes cognizance of internal control objectives so employees understand how their individual actions interrelate and recognize how and for what they will be held accountable.

e. *Monitoring* is a process established by management that assesses the quality of internal control performance over time.

Monitoring provides external oversight, either ongoing or in the form of independent checks of internal controls by management or other parties outside the process.

.104 Management should be committed to achieving strong controls through actions related to agency organization, personnel practices, communication, protection and uses of resources, and general leadership.

<table>
<tr><td colspan="2">OREGON ACCOUNTING MANUAL

Oregon Department of Administrative Services
State Controller's Division   Procedure</td><td>Number
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Effective Date

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<tr><td>Chapter</td><td>Internal Control</td><td rowspan="2">.1 OF .5</td></tr>
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Signature on file at SCD</td></tr>
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Authority **ORS 291.015**
ORS 291.038
ORS 293.590
ORS 293.595

Requirement to Maintain Adequate Internal Controls

.101 Each **agency head** is ultimately responsible for establishing, maintaining and improving the agency **internal controls**. The internal control of agencies must be adequate to provide reasonable, but not absolute, assurance that management’s goals and objectives are being accomplished effectively and efficiently; assets are safeguarded; and transactions are accurate, properly recorded and executed in accordance with management’s authorizations.

.102 All agencies are required to implement and maintain internal controls. Throughout the year, the **agency** will need to document periodic reviews, tests, and analysis of internal controls to assure proper operation. Agency management is responsible for the extent of efficiency and effectiveness of internal controls as well as any deficiencies therein.

.103 Each agency head may designate one senior agency manager as the internal control officer. This person’s responsibility is for coordinating the overall agency-wide effort of annually (at a minimum) evaluating, improving and reporting on internal controls. The internal control officer provides assurance and documentation to the agency head that internal control review processes have been conducted. Each manager is responsible for review, evaluation and reporting for his/her particular part of internal control.

.104 Any material inadequacy or material weakness in an agency’s internal control, including unresolved internal or external audit comments, should be identified. A plan and schedule for correcting any such inadequacy, including an estimated completion date, should be described in detail.

Components of Internal Control

.105 According to the Committee on Sponsoring Organizations of the Treadway Commission’s (COSO) model, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Effective internal controls promote accountability, facilitate achievement of agency goals and objectives, and ensure compliance with state and federal laws, rules, and regulations.

Control Environment

.106 The control environment encompasses the following factors:

a. *Integrity and ethical values.* Integrity and ethical behavior are the product of ethical and behavioral standards, how they are communicated, and how they are reinforced in practice. Managers and employees are to maintain and demonstrate support of internal controls at all times. This support includes management's obligation to remove or reduce incentives and temptations that might prompt personnel to engage in dishonest, illegal, or unethical acts. Also part of management responsibility is communication of values and behavioral standards to personnel through policy statements and codes of conduct and by behavioral example. Management's values should be corroborated by adequate supervision, training, and motivation of employees in the area of internal controls. To demonstrate support for good internal controls, management should emphasize the value of internal auditing and be responsive to information developed through internal and external audits.

b. *Commitment to competence.* Commitment to competence includes management's consideration of the competence levels for particular jobs and how those levels translate into requisite skills and knowledge. Managers are required to comply with established personnel policies and practices for hiring, training, evaluating, promoting, and compensating employees, and to provide employees the resources necessary to perform their duties. Hiring and staffing decisions should include pertinent verification of education and experience and, once on the job, the individual should be given the necessary formal and on-the-job training.

   Counseling and performance appraisals are also important. Performance appraisals should be based on an assessment of many factors, one of which should be the implementation and maintenance of effective internal controls. Promotions driven by periodic performance appraisals demonstrate commitment to the advancement of qualified personnel to higher levels of responsibility.

c. *Management's philosophy and operating style.* Management's philosophy and operating style encompass a broad range of characteristics. Such characteristics may include management's attitudes and actions toward financial reporting (conservative or aggressive selection from available alternative accounting principles, and conscientiousness and conservatism with which accounting estimates are developed). Management's attitude should positively reinforce and personnel should support adherence to **Generally Accepted Accounting Principles (GAAP)** in the implementation of information processing and accounting functions.

   Managers should remain cognizant of the purpose of internal control with respect to accounting and reporting. The purpose of internal control is to help assure the assertions made by management in the accounting records and reports are materially correct with respect to existence, completeness (including proper period), rights and obligations, valuation, and presentation.

   In a government environment, evaluation of the cost of controls must be considered in light of legal and public policy framework. The controls in place should produce the largest net benefit, both quantitative and qualitative. Managers should periodically review for the optimum level of controls and eliminate unnecessary controls.

d. *Organizational structure.* An organizational structure provides the framework within which activities for achieving objectives are planned, executed, controlled, and monitored. Management should establish well designed organizational structures that incorporate the form and nature of the organizational units, including the data processing organization and related functions. For good internal control, management must require clear lines of authority and responsibility, appropriate reporting relationships, and appropriate separation of authority. The appropriateness of an organizational structure will depend, in part, on the size and nature of a unit's activities.

e. *Assignment of authority and responsibility.* This factor includes how authority and responsibility for operating activities are assigned and how reporting relationships and authorization hierarchies are established. Management should establish policies relating to appropriate business practices, knowledge and experience of key personnel, and resources provided for carrying out duties. In addition, management should provide policies and direct communications so that all personnel understand the organization's objectives, know how their individual actions interrelate and contribute to those objectives, and recognize how and for what they will be held accountable.

   Proper segregation of responsibilities is a necessary condition to make control procedures effective. Management should ensure adequate separation of authorization for the execution of transactions, recording of transactions, custody of assets, and periodic reconciliation of existing assets to recorded amounts.

f. *Human resource policies and practices.* Human resource policies and practices relate to hiring, orientation, training, evaluating, counseling, promoting, compensating and remedial actions. To demonstrate commitment to competent and trustworthy people, management should establish and adhere to standards for hiring the most qualified individuals – with emphasis on educational background, prior work experience, past accomplishments, and evidence of integrity and ethical behavior. Management is also required to implement training policies that communicate prospective roles and responsiblities. Training should be designed to illustrate expected levels of performance and behavior.

Risk Assessment

.107 Risk assessment is the identification, measurement, and management of risks relevant to the achievement of the organization's objectives. Risks include external and internal events or circumstances that may occur and adversely affect operations. Once risks are identified, management should consider their significance, the likelihood of their occurrence, and how to manage them. Management may initiate plans, programs, or actions to address specific risks or it may decide to accept a risk because of cost or other considerations. Risks can arise or change due to circumstances such as the following:

- *Changes in operating environment.* Changes in the regulatory or operating environment can result in changes in the competitive pressures which may alter risks.

- *New personnel.* New personnel may have a different focus on or understanding of internal control.

- *New or revamped information systems.* Significant and rapid changes in information systems can change the risk relating to internal controls.

- *Rapid growth.* Significant and rapid expansion of operations can strain controls and increase the risk of a breakdown in controls.

- *New technology.* Incorporating new technologies into service delivery or information systems may change the risk associated with internal control.

- *New activities or lines of service.* Entering into business areas or transactions with which the organization has little experience may introduce new risks associated with internal control.

- *Organization restructure (centralizing, decentralizing).* Restructuring may be accompanied by staff reductions and changes in supervision and segregation that may change risks associated with internal control.

- *Accounting pronouncements.* Adoption of new accounting principles or changing accounting principles may affect risks in preparing financial statements.

.108 Risks are potential costs or undesirable results from weaknesses. When reviewing internal controls, focus on the objective, for example, that all user charges are billed and recorded. The controls which serve to meet that objective should be identified.

.109 When evaluating a system, the strength of individual controls should be compared. How well does a particular control prevent or detect and correct errors? What does it cost? Who performs the control? Does a particular control require other controls working with it to adequately prevent errors?

.110 There may be more than one weakness causing a risk. For example, cash may be misappropriated because licenses and permits are not controlled through prenumbering and receipts are not validated on a cash register. These weaknesses together create a much larger risk than either one taken alone.

Control Activities

.111 Management should develop control activities (policies and procedures) to ensure directives are carried out and that necessary steps to address risks are taken.

Control activities should pertain to the following:

- Timely and appropriate *performance reviews*: actual to budgeted and to prior periods, financial to nonfinancial, function or activity performance.

- *Information processing* general and application controls to ensure that transactions are valid, properly authorized, and completely and accurately recorded.

- *Physical controls* for safeguarding of assets, including:

  a. Physical segregation and security of assets, protective devices and bonded or independent custodians (e.g. banks, safe deposit boxes, lock boxes, independent warehouses).

  b. Authorized access to assets and records (such as through the use of computer access codes, prenumbered forms, and required signatures on documents for the removal or disposition of assets).

  c. Periodic counting and comparison of actual assets with amounts shown in accounting records (e.g. physical counts and inspections of assets, reconciliations and user review of computer-generated reports).

- *Segregation of duties* for authorization, recordkeeping, and custody of the related assets to reduce the opportunities for any individual to be in the position to both perpetrate and conceal errors or fraud in the normal course of duties.

- *Documentation*: Internal control systems, all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination at each agency.

  a. Documentation of internal control systems is valuable to managers in controlling their operations and may also be useful to auditors or others involved in analyzing and reviewing operations.

  b. Written evidence of (1) the internal control objectives and techniques and accountability systems, and (2) all pertinent aspects of transactions and other significant events is essential. For each agency, two written documents are recommended: a narrative on the review of internal control and an analysis of risk factors.

c. Documentation of internal control systems should appear in management directives, administrative policy, and accounting procedure manuals. Documentation of transactions and other significant events should be complete and accurate and should allow tracing the transaction or event from before it occurs, while it is in process, through its completion.

d. Many documentation tools are available such as checklists, flow charts, narratives, and software packages. Supporting documentation for conclusions should be gathered and kept on file at least five years.

Information and Communication

.112 The information system, which includes the accounting system, should provide identification, capture, and exchange of information in a timely manner.

.113 Communication should provide an understanding of individual roles and responsibilities pertaining to internal control; it should be written (policy and procedure manuals, financial reporting manuals, and memoranda), or may be oral and by example (through the actions of management).

Accounting System

.114 The accounting system should consist of the methods and records established to record, process, summarize, and report entity transactions (as well as events and conditions) to maintain accountability for the related assets, liabilities, and equity. These methods and records are to:

- Identify and record all valid transactions.
- Describe transactions in a timely manner and in sufficient detail to allow proper classification.
- Measure and record the proper monetary value of transactions.
- Determine and ensure recording of transactions and events in the proper time period.
- Present transactions and events and related disclosures properly.
- Maintain a traceable audit trail.

.115 The Oregon Department of Administrative Services (DAS), State Controller's Division (SCD) will review all proposed acquisitions, development, or modifications of **accounting systems**. See **OAM 10 65 00**, Approval of Proposed Fiscal Systems.

Monitoring

.116 Establishing and maintaining internal controls is a responsibility of management. Monitoring is the process that assesses the quality of internal control performance over time, by assessing design and operation on a timely basis and taking necessary corrective actions. The monitoring process should include ongoing activities built into regular management and supervisory activities.

.117 Agencies, at their option, should consider implementing a review process and preparing a formal report periodically on the adequacy of the agency's internal control. The report should certify the adequacy of the internal control and identify weaknesses and planned corrective actions. Agency management is responsible for follow through and appropriate actions necessary to correct identified weaknesses and risks.

OREGON ACCOUNTING MANUAL		Number 10.15.00
Oregon Department of Administrative Services State Controller's Division	**Policy**	Effective Date December 1, 2004
Chapter	**Internal Control**	.1 OF .5
Part	**Transaction Documentation Requirements**	
Section		Approval **(Signature on File at SCD)**

Authority **OAR Chapter 166**
ORS Chapter 192
ORS 291.015
ORS 293.590

Purpose and Scope

.101 This policy emphasizes the importance of internal controls related to accounting transaction documentation and how these controls help achieve reliability in financial reporting. It applies to all state agencies that record transactions in the Statewide Financial Management Application (SFMA), whether the transactions are entered directly or through an interface.

.102 This policy is intended to emphasize and strengthen those aspects of transaction documentation that generally apply to most transaction types. It is not intended to replace any of the specific documentation requirements contained in other OAM policies and procedures.

Overview

.103 The primary focus of control policies and procedures is to process transactions correctly. Transaction processing controls, including documentation requirements, should be designed with these objectives in mind:

a. Recorded transactions are valid and supported by appropriate documentation; none are fictitious.

b. All valid transactions are recorded; none are omitted.

c. Transactions are properly authorized.

d. Transaction dollar amounts are properly calculated and accurately recorded.

e. Transactions are properly classified in the accounts.

f. Transaction accounting/posting is complete; no required fields or sub-ledger entries are omitted.

g. Transactions are recorded in the proper accounting period (fiscal year).

Policy Standards

.104 All transactions must be supported by appropriate documentation. The same documentation requirements apply to transactions entered directly into SFMA, as well as those initially entered and processed in an agency subsystem that are transmitted to SFMA through an automated interface. In all cases, the documentation must be complete and accurate and must allow a transaction to be traced from the source documentation, through its processing, to the financial reports. All documentation should be readily available for examination.

.105 Records of transactions and significant accounting events may be initiated and stored in a variety of media and physical formats, including paper documents, microfilm, microfiche, magnetic tape, digital images, and other electronic and recording media. These records should be retained the minimum length of time and authorized for disposition in accordance with the requirements described in Oregon Administrative Rules, Chapter 166.

.106 Documentation requirements for accounting transactions (including records retention guidelines) should be incorporated into agency specific policies and procedures, with relevant training provided to agency personnel.

Documentary Evidence

.107 Regardless of the format used for storage purposes, all recorded transactions (including adjusting entries and transfers) should be supported by copies of source documents (such as vendor invoices, receiving records, cash receipts, timesheets, loan documents, or bank statements) and other supporting information sufficient to provide clear evidence of the following:

a. The authenticity of the transaction.

b. The purpose or reason for the transaction.

c. The vendor/customer involved in the transaction, when applicable.

d. That the transaction was properly authorized.

.108 Valid documentary evidence supports the financial statement assertions of existence or occurrence -- that assets, liabilities and equities actually exist and that revenue and expense transactions actually occurred.

Standardized Coding Information

.109 The documentary evidence must also support the information recorded in SFMA for the key data fields listed below. These fields are closely connected to the financial statement assertions of valuation (accurate transaction amounts); presentation and disclosure (proper fund, general ledger account and/or expenditure/revenue classification); existence and completeness (recorded in the proper accounting period); and rights and obligations (vendors and customers correctly identified).

a. D23 Fund and/or PCA/Index

b. General Ledger Account

c. Comptroller Object (or Agency Comptroller Object)

d. Transaction Dollar Amount

e. Vendor Name/Number, if applicable

.110 The information entered into the key data fields may be documented through the use of coding block stamps and pre-formatted input forms, or it may be hand-written directly on the source documents.

.111 For some transaction types, SFMA and agency system interfaces may be programmed to automatically “fill” one or more of the key data fields. In these situations, agencies are not required to note this information on the supporting documents, *if* it can be verified for audit purposes by reference to look-up tables, crosswalks, charts, reports, or other reference tools, such as accounting policy and procedure manuals. If the key data field information cannot be easily verified using one of these alternative methods, the information should be noted directly on the transaction documentation.

.112 Although this policy establishes the minimum documentation standards, each agency should determine what additional information needs to be documented to meet its unique business requirements and identify this additional information in its policies or procedures (referred to in paragraph .106).

System-Generated Transactions

.113 Certain transactions recorded in SFMA are automatically generated using predetermined system parameters that do not require manual data entry or manual approvals. For audit purposes, agencies should be prepared to explain the underlying logic of these transactions and to demonstrate their validity. Recurring cost allocation entries are a typical example. Documentation (which may include electronic spreadsheets) that clearly describes the methodology, the cost drivers, the formulas and calculations, and the applicable system links and processes should be maintained. In addition, copies of the initial approval documentation for these automatically generated transactions should be available for review.

Correction of Errors

.114 When a coding error in a key data field is discovered by the processing unit (e.g., the business unit entered the wrong comptroller object in the coding block), the correct information should be indicated on the document and initialed. It is not appropriate to simply enter the correct data into SFMA or an agency subsystem without making a notation of the correction on the supporting documentation.

.115 For journal entries that are specifically prepared to correct transactions that have already been processed, the supporting documentation should include a copy of the original erroneous entry (R*STARS screen print, hard-copy report, query results) or other documentation/reference that clearly indicates the origin of the error being corrected. When a copy of the original erroneous entry is included, it is not necessary to also include a copy of the supporting documentation from the original entry.

Authorization

.116 Agency heads are authorized to make expenditure decisions by statute and legislative appropriation. In addition, they may delegate expenditure decision authority to subordinates. These delegations should be evidenced by written documentation and kept current. The signed documents may be kept on file centrally in the agency Controller's Office or Business Office, or they may be filed in branch or field offices. See **OAM 10.40.00** for more details concerning delegation of expenditure authority.

Adjusting Entries and Transfer Transactions

.117 In addition to operational types of transactions (cash receipts and cash disbursements), agencies also process various kinds of transactions that are collectively referred to as adjusting entries. Adjusting entries may be recurring or non-recurring and include, for example, entries to correct errors, reclassification entries, year end accruals, and other adjustments required for financial statement purposes.

.118 All adjusting entries should be fully documented and properly authorized. In addition to source documents (see paragraph .107), the supporting records may include electronic spreadsheets, SFMA reports/screen prints, BRIO or other database queries, and agency subsystem reports/screen prints. If a database query or ad hoc report is involved, the agency should document the query/report parameters, including limits, and be prepared to explain the logic. In the case of Brio queries, for example, agencies may use the "File > Export > SQL" command which allows users to save the Structured Query Language (SQL) as a text file.

.119 When accounting estimates are used, as in the case of year end accrual entries, the rationale and underlying methodology (trend analyses, ratios, assumptions, etc.) should be documented and readily available for audit. The estimates should be reasonable and based on relevant information. The supporting records for estimates are generally not source documents (as described in paragraph .107), but rather documentation of how the estimated amount was determined.

.120 Interfund and interagency transfer transactions, including year end transfer accruals (due to/due from other funds/agencies) are subject to the same documentation requirements discussed in paragraph .118 and .119. All transfer transactions should be properly authorized and the purpose or reason for each individual transfer clearly explained in the supporting documentation.

.121 Individuals who are familiar with the related processes and have appropriate experience and background should be assigned responsibility for reviewing and approving adjusting entries and transfer transactions. For adjustments and transfers involving highly sensitive or subjective matters, such as accruals of claims and judgments, significant year end revenue and expenditure accruals, adjustments to recognize asset impairments, or other unusual items, the documentation should indicate these types of adjustments were properly reviewed and authorized.

Effective Dates and Year End Processing

.122 The supporting documentation should also provide evidence that the related transactions were recorded in the proper accounting period (fiscal year). The effective date of a transaction determines the *fiscal year* in which the transaction is recorded. Normally, cash transactions that occur during the fiscal year do not present a problem because they are recorded with effective dates prior to the close of month 12 (June). At year end, recording transactions in the proper accounting period is more complicated. Many of the non-cash adjustments required for reporting in accordance with generally accepted accounting principles should be recorded after June close. To ensure these adjustments are posted to the current fiscal year, they should be entered into SFMA as month 13 financial statement transactions, using an effective date of 06/31/YY. The supporting documentation should include sufficient information or explanation to indicate these adjustments are fiscal year end entries and that an effective date of 6/31/YY is appropriate.

.123 Many of the month 13 transactions involve expenditure and revenue accruals. The accrual entries are processed using transaction codes that automatically generate reversing entries in July of the new fiscal year. When the actual disbursements or receipts are processed in the new fiscal year, the cash transactions will be offset by the reversing entries.

Records Retention

.124 ORS 192.105(2)(a) requires each agency to designate an agency records officer who will coordinate the agency's records management and serve as a liaison with the State Archivist. The records officer should organize and coordinate records scheduling, retirement, storage and destruction. The State Archivist will provide records officers with training and assistance.

.125 Each agency is required to develop a formal records retention program in accordance with Chapter 166, Division 30 of the Oregon Administrative Rules (OAR). OAR Chapter 166 also provides technical specifications, quality control guidelines and security measures for appropriate use of microfilm, digital imaging systems, electronic records and other media.

.126 It is each agency's responsibility to review its programs and functions to ensure archive requirements are followed. This process includes identifying the specific records that should be retained and assigning ownership and custodial responsibilities for the official "record copy." Transaction documentation files should be centralized to the extent possible and readily accessible to authorized agency staff and auditors.

.127 State agencies should destroy financial records which have met the terms and conditions of their scheduled retention period, subject to the prior audit requirements of OAR 166-030-0045: "Public records of fiscal transactions, regardless of medium or physical format, may not be destroyed until the minimum retention period has passed and the person charged with their audit has released them for destruction. If federal funds are involved, requirements of the United States government shall be observed."

OREGON ACCOUNTING MANUAL		Number 10.20.00.PO
Oregon Department of Administrative Services State Controller's Division	**Policy**	Effective Date July 1, 2001
Chapter	**Internal Control**	.1 OF .2
Part	**Cash**	
Section		Approval Signature on file at SCD

Authority **ORS 291.001**
ORS 291.015
ORS 293.180
ORS 293.265

.101 The principle of accountability, insofar as it relates to cash on hand and bank accounts, can best be described as follows: the custodian of every cash fund is responsible for the integrity of the cash fund and his/her discharge of that responsibility is to be reviewed periodically. For **petty cash**, **change funds**, and cash receipts, this review consists of surprise counts by independent employees. For bank accounts, it consists of an independent reconciliation of the agency cash balances. The designation of specific responsibility for custody of cash funds is vitally important, and should be done through organization charts, operating manuals, position descriptions, or similar written documents.

.102 All officers and employees who have access to cash and/or are accountable for property of the State or held by the State in trust for others should have adequate surety coverage. It may be appropriate to conduct a background check on prospective employees. In the State, all officers and employees, whether classified, elected or appointed, have blanket faithful performance coverage through a bond obtained by the Risk Management Division, Department of Administrative Services. Risk Management keeps a master policy on file and available for inspection and invoices each agency for its proportionate share of the premium. However, certain inappropriate action by a State employee may negate this insurance protection for him/her.

.103 Controls and safeguards must be adequate to provide management with a reasonable degree of assurance that cash and cash related transactions will be properly accounted for and controlled.

Treasury and Bank Accounts

.104 The Treasury, in consultation with the Department of Administrative Services, may establish or designate accounts and funds as legally authorized. Most cash accounts and funds are established by specific statutes or in the Oregon Constitution. Accounts and funds shall be administered in accordance with written directive or policy issued or approved by the State Treasurer. These accounts and funds may be established whenever necessary or convenient to the carrying out of accounting, budget preparation, cash management, financial management, financial reporting or similar laws. The cash accounts and funds must also be set up in the Statewide Financial Management System.

.105 When money is received by an agency, it is deposited at the bank. With some exceptions, the State Treasurer does not allow a State agency to have an account at a bank. Instead, the agency’s account is at Treasury. When agencies deposit money at the bank, they are actually depositing to the Treasurer’s account at the bank. In effect, Treasury is the agency’s bank and has contracted with various commercial banks to accept deposits from agencies as a mechanism for agencies to efficiently deposit money to their accounts at Treasury.

Petty Cash

.106 An agency may establish a petty cash fund with legislative approval. The fund can only be established from legally authorized appropriations or limitations. (See ORS 293.180.)

Change Funds

.107 An agency may establish change funds without legislative or Department of Administrative Services (DAS) approval. A change fund so established is subject to periodic audit by the Secretary of State Audits Division.

OREGON ACCOUNTING MANUAL		Number 10.20.00.PR
Oregon Department of Administrative Services State Controller's Division	**Procedure**	Effective Date April 4, 2003
Chapter	**Internal Control**	.1 OF .9
Part	**Cash**	
Section		Approval Signature on file at SCD

Authority **ORS 291.015**
ORS 293.180
ORS 293.265
ORS 293.295
ORS 293.306
ORS 293.525

.101 As a part of the required internal control documentation, each **agency** having the power to collect State moneys should design and document internal controls for cash. The written procedures, often located in an operations manual, describe the duties of employees who handle cash. These procedures establish and document the flow of cash, cash documents, controls over cash, and the recording of cash transactions. Use of a flow chart to complement the narrative is encouraged.

.102 Collections, cashiering (deposits), bank reconciliation, and recording of accounts receivable are to be segregated to the extent possible so that accuracy and completeness can be verified through independent checks.

Deposit Reconciliation

.103 The reconciliation of bank statements is important for satisfactory control. It serves as a periodic reconciliation of existing assets to recorded amounts. The reconciliation should be done by someone not otherwise responsible for handling cash or cash records and should be reviewed by management.

.104 Reconciliations should be performed between agency records and bank or trustee statements for accounts maintained by banks or trustees and between agency records and Treasury statements for funds maintained by the Treasury.

.105 A written record of the reconciliation with Treasury or the bank, including a listing of outstanding checks and in-transit deposits should be prepared by the reconciliation accountant and retained with the statements. **Statewide Financial Management Services (SFMS)** prepares a number of reports to facilitate reconciliations from the **Relational Standard Accounting and Reporting System (R*STARS)** to Treasury, e.g. DAFR 737-3, which is distributed monthly to the agencies by SFMS.

.106 Deposit reconciliation is also mandated for all receipted accounts by SFMS. Deposits, including incoming Electronic Funds Transfers (EFTs) are not available cash in R*STARS until the deposits are reconciled. This means the deposits recognized at the bank and at Oregon State Treasury (OST) are interfaced from OST's system to R*STARS. These interfaced transactions are matched with R*STARS recorded entries. Once electronically matched, a transaction code generates, which effects cash available for expenditure. Deposit reconcilation is addressed in the Trea1 chapter of the SFMS desk manual at http://www.oregon.gov/das/Financial/AcctgSys/Pages/deskmanual.aspx

Receipted Accounts

.107 The statements received from OST or other authorized bank (including fiscal agents or trustees) should be delivered directly to and reconciled by an employee who is not responsible for the receipt or deposit of cash, the disbursement of cash, or the maintenance of the applicable accounting records.

.108 The entries on the statement should be compared with the dates and amounts recorded by the agency.

.109 An accounting of the numerical sequence of deposits and a list of in-transit deposits should be prepared.

.110 The transaction details for checks outstanding for more than one reconciliation period should be investigated. DAS requires warrants and checks be expired if not presented for payment within two years from the date of issuance.

Suspense Accounts

.111 For agencies using suspense accounts and those not interfaced with R*STARS, the total of the paid checks returned should be proved against the charges on the bank statement. (For information on recording suspense account information in R*STARS, please refer to the Trea5 chapter of the SFMS desk manual at http://www.oregon.gov/das/Financial/AcctgSys/Pages/deskmanual.aspx.)

a. An accounting should be made of the numerical sequence of the checks and deposits.

b. All voided checks should be examined. Such checks should be retained in the numeric file of checks when checks are returned by the bank or Treasury. If checks are not returned by the bank, the voided checks should be filed with the cash disbursement records.

c. If checks are returned, the signatures and endorsements on the checks should be reviewed on a test basis by the reconciliation staff to be sure they are reasonable and complete.

d. Checks may be returned by the post office as undeliverable. Strict control should be maintained over such checks. The checks should be delivered by the mail room to an employee responsible for their control. This employee should not have access to the undeposited receipts of the agency. Reasonable efforts should be made to locate the payees. If unsuccessful, then the checks should be marked VOID and kept on file as outstanding checks until they can be expired.

General Fund

.112 SFMS Operations prepares reconciliations of the General Fund and the Lottery Fund at Treasury to the transactions in R*STARS for each accounting month. Outstanding reconciling items are researched and cleared on a statewide basis. Thus, agencies do not need to reconcile cash funds that are part of the legal General Fund or the Lottery Fund. However, agencies are responsible for investigating and clearing reconciling items when notified of them by SFMS Operations.

Cash Management Improvement Act (CMIA)

.113 Accurate cash clearance patterns are required under the federal Cash Management Improvement Act (CMIA). Also, **Generally Accepted Accounting Principles (GAAP)** require that the passage of time between an accounting event and complete recording of that event be minimized.

.114 If a temporary account or fund such as a clearing account or revolving suspense account is used to account initially for an accounting event, the elapsed time between the initial accounting transaction and the subsequent accounting transaction to clear the temporary account and reclassify the accounting event should be minimized.

Cash Receipts

.115 The term cash receipts includes receipts from all sources. It includes wire transfers and transfers in of cash, such as transfers to a cash account from another cash account in the same agency.

.116 Cash lost before being receipted is more difficult to trace than cash received and recorded. It is imperative that cash receipts and transfers be recorded as soon as they come within the agency's control. Checks are to be restrictively endorsed at the time of collection. Processing of cash receipts should be centralized to the extent workable.

.117 Cash transfers should be recorded by someone other than the cashier who is responsible for regular cash receipts. Also, the individual recording cash transfers should have no further access to cash handling or accounting.

.118 In addition, all cash received by an agency should be reconciled daily with the daily cash reports prepared from pre-numbered receipts, licenses, or permits, cash register tapes, mail room tabulations, and similar documents.

.119 Disbursements from cash receipts should not be permitted. Any cash shortage or overage should be accounted for, by employee, and should be investigated if material in amount or if a pattern is visible. Unusual items should be adequately documented and explained. ORS 297.120 requires any cash shortages from or suspected to be from employee dishonesty to be promptly reported in writing to the Secretary of State, Audits Division.

.120 The initial record of cash received may be a pre-numbered receipt form; a summary of pre-numbered license tickets or permits issued; a cash register tape; a mail room listing; or some other remittance advice, depending on the type of agency and the nature of its revenues. Some agencies use a validation machine to assign control numbers to documents.

.121 The correspondence accompanying the remittances should be stamped with the date received, and the payment data recorded thereon. These documents should then be forwarded to accounts receivable or to the accounting office and/or appropriate operating units of the agency.

.122 Remittances for which proper distribution cannot be determined should be listed separately.

.123 The fundamental rules for attaining control over cash receipts include:

a. Establish control over cash receipts immediately. Restrictive endorsements should be made on all checks as they are received.

b. Deposit each day's cash receipts intact even if proper disposition of receipt is unknown.

c. Deposit cash receipts daily (not later than one business day after receipt per ORS 293.265). Deposits of small amounts of cash can be less frequent, but must be at least weekly; however, if deposits are made less frequent than daily, the agency still needs to comply with ORS 293.265. In accordance with ORS 293.265, an agency may use a reasonable, longer period of time (other than one business day) for deposit of specific receipts if the agency documents that a valid business reason exists for using a longer period of time and and that the period of time is no longer than necessary to satisfy the business reason, and the agency submits a copy of such documentation to the Audits Division for review. In addition, Oregon State Treasury policy No. 02 18 01 PO requires a copy of such documentation to be filed with Treasury's Finance Division.

d. Separate cash handling from record keeping. Separate billing from cash collection. (Separation may not be possible for small agencies, boards and commissions.)

e. Do not allow any one person to handle a cash transaction from beginning to end.

f. Change passwords for access to automated accounting records periodically and do not permit shared passwords.

g. Centralize receiving of cash to the extent possible.

h. Locate cash registers so customers can observe amounts as they are recorded.

i. Assign prompt reconciliation of State Treasury accounts and other authorized bank accounts to individuals not responsible for handling cash.

j. Secure cash at all times.

Mail Receipts

.124 In many agencies, most receipts are received in the mail. Mail containing remittances should be opened at designated times, usually once or twice a day, by two designated persons. In cases of extremely heavy periods of incoming mail, it may be necessary to open the mail throughout one or more daily shifts by large numbers of personnel. In cases where the volume of receipts is light and/or the cash received is in small amounts and risk evaluation indicates low risk levels, one person may open the mail. If only one person opens the mail, additional control procedures may be required, such as adequate supervision, test checks of receipts and deposits, and periodic reassignment of duties.

.125 If several types of revenues are received simultaneously, the documents received from payors should be sorted by type. This can be done by using a bank lockbox or separate post office boxes.

Receipt Forms

.126 The fundamental purpose of the serially pre-numbered receipt form is the control of currency collections. Receipts should be issued for all currency collections regardless of source. Normally, receipt forms would not be used when recording noncurrency items where other controls are adequate. However, receipt forms should provide for indicating the purpose and type of money received (currency, check, money order).

.127 Where it is necessary to initially record receipts at different locations, the receipt form may be used as a subsidiary cashbook. In such cases, all receipts including currency, money orders, and similar items should be entered in the pre-numbered receipt book.

.128 To assure maximum potential control over cash receipts from the use of pre-numbered receipt forms, the following procedures should be followed:

a. The forms should be pre-numbered and printed in triplicate. When prepared, the original is given to the person from whom the cash is received; the duplicate is used to establish accountability for the cash collected and the triplicate is retained in numerical sequence to establish accountability for the forms used. The original should be clearly differentiated from the copies by color or with the word “COPY” displayed prominently on the duplicate and triplicate.

b. When it is necessary to void or cancel a receipt form, the original should be marked void so it cannot be reused, and the original should be attached to the duplicate and triplicate and should be retained.

c. A listing of the quantities of forms delivered and the numbers thereon obtained from the printer provides a basis for perpetual inventory control over the forms available for use and reconciliation of issued forms. The inventory and custody of forms should be segregated from the cashiering function and accounting records for cash. The book inventory should be periodically verified against the actual forms on hand by an individual other than the one maintaining the record.

Automated Collection Methods

Cash Registers

.129 There are two separate objectives regarding control of receipts collected through the use of a UPS code scanner or a cash register: (1) to assure all cash collected is recorded on the register, and (2) to assure all cash recorded on the register is accounted for and turned over to the designated employee for deposit. Some degree of assurance can be provided through certain techniques. For example, cash register sales of certain commodities can be controlled by keeping a perpetual inventory at “retail” value on the merchandise available for sale. Physical inventories are taken periodically, and the cashier should account for the value of the book inventory under his/her control either in physical stock on hand or cash collected.

.130 Control can also be provided by positioning the cash register so that amounts recorded on the register are obviously displayed to the customers and customers are provided with receipts for their transactions. An additional control technique employs “spotters”, unknown to the cashier, to periodically observe the cashiering function.

.131 The register should be equipped with a tape on which cash collected is listed and accumulated. To determine that all register tapes are accounted for:

a. Control should be maintained over all cash registers by manufacturer’s number, or other suitable means, to preclude substitution or use of cash registers not authorized.

b. The cumulative total on each register should be locked by a service technician so it cannot be cleared and turned back.

c. If transaction numbers cannot be turned back and are printed on the tape, assurance is provided when the first transaction number on each tape consecutively follows the last number on the previous tape.

.132 An individual other than the register cashier should count the cash and extract the register tape in the cashier’s presence. The amount collected should be balanced with the register total, as shown by the tape or the cumulative locked-in totals. All register tapes and reports and readings should be collected by someone independent of the collection process and retained chronologically in a file.

Validation Machines

.133 Some agencies use a validation machine to account for and control cash receipts. This machine prints a number on the check received, and prepares a corresponding list of receipts showing the number assigned, the date, and the amount. The validation machine is normally operated by an individual who is not part of the accounting staff.

Prelisting

.134 Each cash transmittal should be accompanied by the corresponding duplicate copies of the prenumbered receipts issued or the validation machine tape and a cover document (prelisting) identifying the dollar amount, sequence of receipt numbers transmitted, and the period of time covered by the transmittal. The prelisting is prepared in as many copies as required. The original and copies should be forwarded, together with the remittances, to the cashier for deposit.

Deposits

.135 Moneys received should be turned over to a designated cashier for deposit at prescribed intervals. If possible, this transmittal should be made within one business day of receipt. If daily transmittal is not feasible due to location of collection or other business reasons, or if amounts of collections are nominal, transmittals may be made less frequently, but should not be less frequently than once a week. If deposits are made less frequent than daily, the agency needs to comply with ORS 293.265. In accordance with ORS 293.265, an agency may use a reasonable, longer period of time (other than one business day) for deposit of specific receipts if the agency documents that a valid business reason exits for using a longer period of time and that the period of time is no longer than necessary to satisfy the business reason, and the agency submits a copy of such documentation to the Audits Division for review. In addition, Oregon State Treasury policy No. 02 18 01 PO requires a copy of such documentation to be filed with Treasury's Finance Division.

.136 A specific exception to the statutory requirement of depositing all receipts to a State Treasury account is that a State agency may return any bank check whenever such bank check or money order is incomplete or the report or record applied for is not available or releasable or the payment is not owed. The agency shall keep a record of the check or money order returned.

Electronic Funds Transfer (EFT)

.137 Electronic Funds Transfer (EFT) usually means transfer through the Automated Clearing House (ACH) or the Federal Reserve's Fedwire system. EFT's offer a number of control advantages over paper-based systems. An EFT system generally has various levels of security, which may include encryption of data, authentication of transaction accuracy, and secured access to facilities. There is no paper item to be lost in the mail or stolen from the mailbox. There is no need to go to the bank to make a deposit.

.138 Agencies should work with the Oregon State Treasury (OST) to determine the best method available to take advantage of the opportunities of the ACH system. For additional details and required forms, see the OST's Cash Management Manual at their web site at http://www.oregon.gov/treasury/Divisions/Finance/StateAgencies/Pages/Cash-Management-Manual.aspx.

Cash Disbursements

.139 Where segregation of duties cannot meet optimum, the control requirement should provide as much separation as possible between the responsibilities for: originating requisitions; placing orders; reporting receipts; and approving invoices for payment.

.140 All disbursements, except those using electronic funds transfer or from non-bank petty cash funds should be made by check or warrant.

.141 Agencies should process vouchers on a timely basis (within 45 days for most vendors, within 30 days for construction vendors) to avoid paying interest on accounts, as required by statute. For cash management purposes, however, payments should not be made too soon so that the State can maximize interest earnings.

.142 The following standards should be applied in prescribing procedures for handling cash disbursements in the agency:

a. An agency policy and procedure manual should be developed to describe the authority and responsibility for expenditures in accordance with State policies and procedures.

b. The functions of approving vouchers, preparing checks, and recording disbursements should be handled by different employees. Employees handling disbursements should not have duties relating to cash receipts or the reconciliation of bank accounts.

c. Payment should be made or vouchers prepared only after the original and all copies of pertinent papers have been approved. Payment should only be made from original invoices, or in limited and unusual situations, from original statements.

d. Vouchers or checks should be approved or signed only on presentation of satisfactory documentary evidence that disbursement is properly authorized.

e. Invoices and, if applicable, statements should be canceled or stamped in a prescribed manner in order to preclude reuse of the documents.

f. A periodic review of the documentation supporting payments should be made by an authorized person to assure all processing steps and approvals are being properly applied.

Checks and Warrants

.143 All agencies drawing checks and warrants on State Treasurer's accounts will use the single State check design. The single State check utilizes a controlled paper stock with numerous security features and a background design that makes all State checks and warrants easily recognizable as State items. Instructions for ordering can be found at OST's web site: http://www.oregon.gov/treasury/Divisions/Finance/StateAgencies/Pages/Cash-Management-Manual.aspx.

.144 As a protection against misuse or alteration, care should be exercised in preparing checks and warrants. Written and figure amounts should be inserted far to the left in prescribed spaces to avoid the possibility of a later insertion in front of the correct figure. Checks should never be drawn to bearer or cash.

a. A limited number of persons should be authorized to sign checks and/or warrants and the signatures of these persons should be on file.

b. The supporting vouchers and documents should accompany the checks when submitted for signature. These documents should be examined before signatures are affixed. The documents should bear the prescribed approvals, showing compliance with purchasing, receiving, and payment procedures.

c. Signature cards, properly approved, should be on file for those employees authorized to approve documents, such as purchase orders and vouchers, and receiving reports. For agencies using electronic approvals, these documentation controls are essential.

d. Checks should not be distributed or mailed by the same employee who prepares the checks if he/she has access to the applicable records.

e. When dual signatures are required on checks, the two employees authorized to sign checks should be administratively independent of each other. Rubber stamps should not be use for check signing.

f. Check signing machines and laser signatures should not be used, except in cases where a large volume of checks are processed. When they are used, the signature plates should be kept in the custody of the officials authorized to sign checks or their authorized representatives. Although the use of the machine relieves the officials of the manual signing operation, these officials will still be held responsible for an examination of the supporting documentation. If two signatures are required, a separate signature plate should be used for each signature.

g. Check signing machines usually provide registers to control either or both the number of checks signed and the total amount processed through the machine. These control totals should be reconciled daily with the recorded cash disbursements.

h. When it is necessary to void a check, it should be marked “VOID” and the signature space crossed out. All voided checks should be filed numerically with the paid checks returned by the bank and kept by the agency. If checks are not returned by the bank, the voided checks should be filed with the cash disbursement records.

i. The number of pre-numbered checks purchased should be supported by a listing from the printer as to the quantity shipped and the check numbers included in the shipment. Unused check stock should be kept in a locked or otherwise secure area. All check numbers should be accounted for by someone lacking access and responsibility for check stock and check issuance.

j. All checks written should be entered in numerical order in a cash disbursements journal or other cash disbursement record. Separate disbursement records should be kept for each checking account. With an automated cash disbursement system, the computer should generate an appropriate cash disbursement record.

Petty Cash and Change Funds

.145 Each agency with a **petty cash** fund and/or **change fund** must develop its own written operating and reconciliation procedures.

.146 Petty cash funds must be maintained on an imprest basis, meaning each fund will be replenished for the exact amount of the expenditures made from the fund. The fund must be replenished as required to maintain cash at the authorized level.

.147 A custodian of a petty cash fund must be designated as responsible to account for and service the fund. The custodian can use petty cash to reimburse claims approved by persons designated to approve cash payments from the fund. For claim reimbursement, there must be a valid receipt and signature approval for purchase.

.148 Change funds must meet a specific business need such as currency and coin needed to provide customer purchase convenience or special program related circumstances. Change funds are to be kept at the minimum level necessary to handle normal customer service needs.

.149 An employee must be designated to be responsible for the agency change funds. If change funds are further distributed to individual employees, each person is responsible for the change fund so entrusted.

.150 The amount of each change fund remains constant, and that amount should be withheld at the close of each day from the total cash in the register or cash drawer as the funds with which to begin the following day. The remaining cash is recorded as the current day’s receipts and is reconciled to the receipt documents.

.151 At a minimum, the following internal controls over petty cash and agency change funds must be established:

a. If the agency maintains a change fund in addition to a petty cash fund, the two funds must be kept separate and not be commingled.

b. Secure physical cash at all times.

c. Conduct periodic unannounced counts by an independent employee not the petty cash custodian or change fund cashier.

d. The petty cash custodian must not be authorized to approve cash payments from the fund or to authorize replenishment of the fund.

e. Personal checks are not allowed to be cashed from agency cash funds.

f. All disbursements from the petty cash fund should be supported by invoices and vouchers properly approved and dated. These documents should be examined and canceled when the fund is reimbursed.

g. The accounting section in the agency should keep a record of the amount of each change fund and its location. Each fund custodian must provide a signed receipt to establish accountability for the change fund entrusted to him/her. The receipts are to be kept on file in accounting.

h. Daily cash receipts from business transactions should be deposited and should not be retained in the change fund after the close of the business day.

i. Update policies and procedures as needed and ensure compliance.

j. Periodically evaluate each petty cash and change fund as to need and size. To the extent possible, eliminate petty cash and change funds.

Postage

.152 Controls over postage can be most effectively established through the use of a postage meter. All metered postage should be purchased by check or warrant, payable to the postmaster. An employee independent of the mailroom should verify the amount entered on the meter is the full amount of the check or warrant. Under no circumstances should checks or warrants issued for metered postage be used for the purchase of stamps or exchanged for cash.

.153 The postmaster’s receipts for metered postage should be retained and a daily record be kept of the meter readings; at intervals, the changes in the ascending and descending meter readings should be reconciled with metered postage purchases for the period.

.154 Special circumstances may require the use of postage stamps. This practice should be kept to a minimum and controlled by the use of requisitions. The stamps should be purchased by check. A single individual should be responsible for the distribution of the stamps and should maintain a record of receipt and distribution. At intervals, the stamps in custody of this individual should be inventoried and reconciled with the stamps purchased and requistions filled. The reconciliation should be performed by a staff other than the individual with custody of the stamps.

OREGON ACCOUNTING MANUAL			Number 10.30.00.PO
Oregon Department of Administrative Services State Controller's Division		**Policy**	Effective Date July 1, 2001
Chapter	**Internal Control**		.1 OF .2
Part	**Revenues**		
Section			Approval Signature on file at SCD

Authority **ORS 291.015**
ORS 293.590

Revenue Controls

.101 Management must establish and maintain adequate internal controls over revenue. At a minimum, these controls should provide evidence of the following:

a. Revenue transactions occurred and that cash and revenue amounts exist as recorded.

b. All revenue transactions are recorded and nothing has been excluded from the accounts.

c. Revenue is properly classified as to source, mathematically correct, and entered appropriately into the accounting system. Restricted revenue is classified separately to show restricted rights and obligations.

d. Revenue is recognized in the proper period, neither postponing current period recordings to the next period nor accelerating next-period transactions into the current-year accounts.

e. Revenue transactions are reported in accordance with accounting principles and in compliance with applicable legal, administrative, and budget requirements.

Accounts Receivable

.102 Recording uncollected revenues (revenues earned but not received) results in the recognition of receivables. Receivables include loans, notes or similar obligations owed to the agency and must be recorded in the accounting records. Accounts receivable generally arise from the sale of goods or the rendering of services, but accounts receivable also arise from other sources, such as overpayments of entitlements. Accounts receivable include the amounts due for goods and services provided by state agencies to other state agencies, local governments, nonprofit organizations, and others.

.103 Adequate internal control over receivables must be established and maintained. Adequate controls must include, at a minimum: separation of duties or appropriate compensating controls, proper authorization of transactions, and timely reconciliations. Collection documentation will include a record indicating the action taken, person performing the action, and the date of the action. Collection documentation must also include summaries of collection efforts and results, summary totals of accounts written off, and results of using other collection expertise.

Documentation should also include other information deemed necessary to aid in identifying effective collection programs and areas that need improvement. A cumulative history can aid in the improvement of receivables management and collections.

.104 Accounts receivable will be aged and analyzed. The analysis will be documented and will include, at a minimum, the aging of accounts receivable balances, descriptions and summaries of payees or debtors and evaluation of the quality of the accounts receivable for management review and appropriate action.

.105 Refer to Oregon Accounting Manual Chapter 35, Accounts Receivable Management, for details regarding Liquidated and Delinquent Accounts, as well as Interagency Receivables, Billings, and Payments.

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Authority **ORS 291.015**
ORS 293.590

Revenue Controls

.101 Separation of duties is a primary revenue control. Only specifically authorized individuals should be responsible for collection and recording of revenue. No one person should handle a revenue transaction from beginning to end. Ideally, an individual should not be responsible for recording both revenue and expenditure transactions. If separation is not possible, compensating controls including periodic independent reviews as appropriate with respect to timing of the revenue stream must be in place. Such independent checks should be performed by management or external parties.

.102 Management should assure timely reconciliation of subsidiary accounts to control accounts and provide adequate review and approval of reconciliation documentation.

.103 Managers should compare revenue accounts and amounts to prior-year data and to multiple-year trends to ascertain whether any unusual fluctuations are present. Comparisons should be made to budgets, monthly internal reports and forecasts to determine whether events have occurred that require explanation or analysis by management.

.104 The best control over revenue is control over the source of the revenue. Four examples are:

a. Accounting control over merchandise inventory, including periodic physical inventories by an individual who does not maintain the inventory, provides the best assurance that all sales of merchandise are recorded. In this regard, the inventory account should be credited only for recorded sales transactions. All credits to the inventory control account other than sales transactions should be reviewed by the internal auditor, if applicable, or the chief financial officer.

b. Control over service hours provides the best assurance that an accounting has been made for all sales of services on an hourly basis. In this regard, service hours should be controlled until they are either billed or written off by an authorized person.

c. Some types of revenue are controlled by the issuance of serially numbered licenses, permits, tickets, food stamps, and similar items which provides an accountability over the revenues collected. Periodically, at least annually, the number of licenses and similar items issued should be reconciled with the number available for issuance and the revenues collected. A perpetual inventory of licenses, permits and similar items is recommended.

d. For day-to-day revenue streams, there are special mechanisms in use which afford revenue accountability. These include treadle, turnstile and other meters which independently record the number of customers serviced. Readings from these control devices should be reconciled daily with collections by an individual not responsible for collections.

Deposits

.105 In some agencies, deposits are required for various purposes, such as for rental of equipment, dormitory room deposits, pre-registration deposits, and contractors' bid deposits. Records should be established to record the receipt and disposition of such deposits. In most cases, subsidiary records are required to show the name of payors to whom individual deposits will be refunded or credited. Periodically, but not less than annually, the total of the balances of subsidiary records should be reconciled with the deposit account.

Receivables

.106 Internal controls over receivables should provide for a proper division of functional responsibility. Proper division exists when all amounts entered in the receivable control account originate in sections or units other than the receivables section. Smaller agencies may have to rely on compensating controls. Debits should be transmitted from the billing section and credits for cash receipts from the cashier. Management should divide the functions in such a way that all non-cash credits to receivables are controlled by an officer or responsible employee who does not have access to or authority over the cash books. All non-cash credits to customers' accounts should be authorized by the chief financial officer or other accounting manager not responsible for recording the credits.

.107 Invoices received from the billing section should be accompanied by the total amount of the invoices presented. If this is not done, a tape should be run in the receivables section so that the total posting may be proved against this pre-run total. There should be a daily proof of all postings against the entries in the control account.

.108 Information with respect to cash receipts should come from the cashier in the form of a list of receipts or, in larger organizations where total receivables necessitate, in the form of a remittance advice. A pre-run total should be obtained to act as a proof against the sum of the credits posted to the receivable account.

.109 Regular monthly balancing of the subsidiary ledgers with the control account by an independent person is an essential internal control. Without this monthly reconciliation, errors are more difficult to locate. Monthly reconciliation isolates any error on a timely basis and thus reduces the time necessary for identification and correction. Reconciling items should be promptly resolved.

.110 Monthly statements should be prepared and mailed early in the month. This task should be done by some person independent of the cashier, credit, or receivables section. Where the statements are prepared as a part of the posting process, an independent person should check the original statement against the ledger. The control over these statements should be such that any undeliverable statement and any complaints received about the statement should be channeled to the person who prepared or checked the statements and mailed them, not the receivables accountant. The control comes from separating the statement from the person who is responsible for the original postings of receivables.

.111 Refer to Oregon Accounting Manual Chapter 35, Accounts Receivable Management, for details regarding Liquidated and Delinquent Accounts as well as Interagency Receivables, Billings, and Payments.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	10.35.00.PO
Division:	State Controller's Division	Effective date:	April 17, 2008
Chapter:	**Internal Control**		
Part:	**Credit Card Acceptance for Payment**		
Section:			
Approved:	John Radford, State Controller	Signature on file at SCD	

Authority **ORS 291.015**
ORS 291.026
ORS 293.265
ORS 293.590

Authorization

.101 State agencies must make application to and be preapproved by the Office of the State Treasurer (OST) to accept credit cards in payment of products, services and other fees. In addition, third party service organizations that provide storage, processing, or transmission services and/or applications to state agencies associated with credit card transactions must be prequalified by OST.

Agency Responsibilities

.102 State agencies authorized by OST to accept credit card payments must:

a. Establish a system of internal control that provides reasonable assurance that all credit card transactions are properly authorized, timely settled, and accurately and completely recorded. In addition, controls and safeguards must be established and maintained to reduce the risk of unauthorized access and to monitor for errors, both unintentional and intentional errors, including fraud.

b. Ensure that all employees responsible for accepting and processing credit card payments receive appropriate training and are familiar with and have access to US Bank Merchant Terms of Services (MTOS) and Discover Business Services Merchant Operating Regulations (MOR). Training is available through OST.

c. Ensure that personnel involved in accepting and processing credit card payments do not use, disclose, or disseminate cardholder information except for the purposes of processing the associated financial transactions.

d. Comply with MTOS/MOR; all applicable OST requirements; payment card industry security standards; statewide IT security policies and initiatives issued by the Department of Administrative Services, Enterprise Information Strategy and Policy Division (DAS-EISPD); and all federal and state laws pertaining to safeguarding personal information and notifying consumers in the event of a security breach, including the Oregon Identity Theft Prevention Act (Oregon Laws 2007, Chapter 759).

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	10.35.00.PR
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Chapter:	**Internal Control**		
Part:	**Credit Card Acceptance for Payment**		
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Purpose and Scope

.101 This procedure describes internal controls and safeguards that must be implemented to:

a. Provide reasonable assurance that all credit card transactions are properly authorized, timely settled, and accurately and completely recorded;

b. Reduce the risk of unauthorized access and to monitor for errors, both unintentional and intentional errors, including fraud;

c. Protect the security, confidentiality and integrity of cardholder information; and

d. Comply with notification requirements in the event of a security breach.

.102 The requirements set forth in this procedure apply to all state agencies that process credit card transactions. Each agency that accepts payments by credit cards has a responsibility to understand the unique issues of operating its e-commerce program and to create internal policies and procedures to address those issues. Agencies are encouraged to contact the Office of the State Treasurer (OST) and the State Controller's Division (SCD) to learn more about the various tools and controls available to reduce exposure to e-commerce risks and minimize the associated losses. OST can also advise agencies on ways to process credit card transactions that will increase efficiency and reduce transaction fees.

.103 None of the controls described below relieves agencies of their responsibility to comply with policies published by OST, the US Bank Merchant Terms of Service (MTOS) or Discover Business Services Merchant Operating Regulations (MOR). Agencies must adhere to OST policies and the MTOS/MOR. When credit card fraud is suspected, for example, agencies must refer to the MTOS/MOR guidelines.

Point of Sale (POS) Transactions – Control Requirements

.104 Agencies that accept and process credit cards in payment of products, services, licenses, or other fees in face-to-face transactions conducted over the counter must incorporate the following control procedures into their operations.

a. Before swiping the customer's credit card through the POS terminal, verify that the card expiration date has not passed. **Expired credit cards must not be accepted for payment.**

b. Ensure that the dollar amount charged to the card is fixed by the transaction. **No cash refund or credit may be issued in conjunction with the purchase transaction.**

c. If the authorization network approves the transaction, ask the customer to sign the sales receipt and then compare the customer's signature with the signature on the back panel of the credit card. **Unsigned cards must not be accepted.**

d. Compare the name and account number on the credit card with the name and last four digits of the account number on the printed receipt. **Refer to the MTOS/MOR if the name or digits do not match.**

   NOTE: The MTOS/MOR requirement that all POS devices must suppress all but the last four digits of the credit card account number and the entire expiration date on the cardholder's copy of the transaction receipt is consistent with Oregon law. The Oregon Identity Theft Prevention Act (Oregon Laws 2007, Chapter 759) states that data shall be redacted so that no more than the last four digits of a customer's credit or debit card number are accessible.

e. If the credit card's magnetic stripe cannot be read, and the cardholder's information is key-entered, agencies must:

   - Request Address Verification Services (AVS).
   - Make a physical imprint of the card using a manual imprinter.
   - Obtain the cardholder's signature on the imprinted transaction receipt and compare it to the signature on the back panel of the card. **Unsigned cards must not be accepted.**
   - Black-out all but the last four digits of the credit card number on the cardholder's copy of the receipt.

f. To complete the transaction, information necessary for the delivery of purchased goods or services may be requested and recorded as long as the information is provided voluntarily by the credit cardholder (**ORS 646A.214**).

.105 If a "declined" or "no match" response is received from the authorization network, the credit card cannot be accepted. Agencies shall offer to process a different, valid credit card or another acceptable form of payment, such as a personal check or cash.

Telephone and Mail Order Transactions – Control Requirements

.106 Agencies that accept and process credit cards in payment of products, services, licenses, or other fees in transactions that are conducted by telephone or mail order must incorporate the following controls into their operations.

a. Request Address Verification Services (AVS).

b. Ensure that the transaction documentation includes the agency's order number (e.g., invoice number, license number or similar identifier) and the agency's customer service number.

Internet Transactions – Control Requirements

.107 Agencies that accept and process credit cards in payment of products, services, licenses, or other fees in transactions that are conducted over the Internet must incorporate these additional controls into their operations.

a. If products and/or services have a fixed fee, the system must populate the amount field based on the customer's selection.

b. The Internet website must incorporate fraud prevention measures, such as Address Verification Services (AVS), Card Verification Value (CVV2), Card Validation Code (CVC2), or other fraud prevention tools available through the issuing bank. Refer to the MTOS/MOR for further information.

Fulfillment and Revenue Recognition

.108 Unless the agency and merchant bank have agreed otherwise and such agreement is in writing, any agency accepting payment by credit card must place a "hold" on the order through the payment processing system, if the product or service is not available for immediate shipment or fulfillment. (This rule applies to all methods of processing credit card payments, including over-the-counter transactions, telephone and mail orders, and Internet transactions.) The "hold" shall be released when the order is shipped or fulfilled. The settlement date may not be more than seven (7) days from the authorization date.

.109 Under generally accepted accounting principles (GAAP), credit card "sales" revenue is recognized when the customer's order has been fulfilled or shipped and the exchange is completed. Credit card revenues associated with licenses and fees are recognized upon receipt. For more information on revenue recognition, refer to **OAM 15.35.00**, Revenues and Receivables.

Deposit/Settlement

.110 Unless an exception is received by the agency, all credit card transactions must meet the deposit requirements of **ORS 293.265**.

.111 Credit card terminals: The daily receipts totals from all credit card processing devices must be printed and used to settle transactions at the end of each business day. Transactions settled before 5:00 p.m. will be posted to the agency's account at OST at midnight.

.112 DAS SecurePay or other payment processor: Daily transaction batches must be submitted before 5:00 p.m.

.113 Transactions settled before 5 p.m. will be posted to agency accounts the next business day if there are no changes/errors in the normal daily processes.

Reconciliations

.114 Daily Reconciliation: The total dollar value of each day's credit card receipts must be compared with and reconciled to the underlying transaction records of goods, licenses, etc., sold or issued.

a. Total credit card receipts from all systems must be reconciled to the total dollar value of the underlying transaction records (i.e., the number of products sold or licenses issued multiplied by applicable unit prices).

b. If the total credit card receipts do not agree to the total dollar value of the underlying transaction records, a transaction-by-transaction analysis must be performed to locate the difference.

c. Differences must be identified and corrected prior to clearing the deposit.

.115 Bank Reconciliation: The daily total for credit card receipts must be reconciled to the daily treasury statement received from OST, and the daily treasury statement must be reconciled to the Statewide Financial Management Application (SFMA) or the agency's cash management system.

Small volume transactions may be reconciled on a less frequent basis, such as weekly, but not less than once a month.

.116 Inventory Reconciliation: Settlement files must be reconciled with inventory records and/or customer databases on a regular basis.

Merchant Fees and Expense Recognition

.117 Merchant fees for all Visa and MasterCard transactions are deducted monthly from agencies' accounts at OST. Merchant fees associated with the Discover Card program are billed separately. Regardless of the method, agencies must review their US Bank Merchant Statements to ensure that the amounts charged for merchant fees are appropriate.

.118 For accounting purposes, merchant fees are recognized as an expense by recording them in comptroller object 4730. The related credit card revenue is recorded at the gross amount. For more information on expense recognition related to merchant fees, refer to **OAM 15.40.00.PO**, Expenses, Expenditures and Payables.

Refund Policy

.119 No cash refund shall be processed as the result of a credit card transaction including, but not limited to cash back requests, returned or undeliverable product, or an otherwise cancelled transaction.

a. The amount charged to the card must be fixed by the amount of the transaction.

b. Credits (refunds) must be issued to the same credit card used to process the original purchase transaction.

c. If the original credit card has been cancelled or has expired, a warrant or check refund may be issued upon receipt of a copy of the credit card reject document.

d. The agency's credit (refund) policy must be clearly displayed or otherwise communicated at the time of the initial transaction.

Chargebacks

.120 A chargeback is the reversal of the dollar value, in whole or in part, of a particular transaction by the card issuer to the state agency that originally processed the transaction. Chargebacks generally arise from customer disputes, fraud, processing errors, authorization issues and non-compliance with copy requests. It is recommended that agencies respond immediately to chargebacks and copy requests. Refer to the MTOS/MOR for further information and appropriate actions.

Segregation of Duties

.121 An adequate segregation of duties increases the likelihood that unintentional and intentional errors, including fraud, will be prevented or detected on a timely basis.

.122 Typical credit card functions that must be performed by separate individuals*, whenever possible*, include the following:

a. Processing the payment/authorization
b. Processing voids
c. Processing credits and refunds
   - Identifying credits

- Approving credits
- Issuing credits

d. Settlement
e. Handling billing and settlement errors
f. Reconciling

Credit Card Records Exempt from Public Disclosure

.123 All paperwork, records, receipts, card imprints, electronic data, etc., containing information provided to, obtained by or used by a public body to authorize, originate, receive or authenticate a transfer of funds, including but not limited to a credit card number, payment card expiration date, password, financial institution account number and financial institution routing number are exempt from disclosure under ORS 192.410 to 192.505 unless the public interest requires disclosure in the particular instance. **ORS 192.501(27) – Public Records Law**

Record Retention Requirements

.124 In general, copies of credit card receipts and supporting documentation must be retained by state agencies for 6 years (or in accordance with current archive requirements). <u>However, copies of credit card receipts containing more information about a customer than the customer's name and five digits of the customer's card number must be destroyed on or before the sooner of</u>:

a. The date the image of the copy is transferred onto microfilm or microfiche; or

b. Thirty-six (36) months after the date of the transaction that created the copy (**ORS 646A.204**).

Safeguarding Credit Card Records and Files

.125 Any agency that owns, maintains or otherwise possesses data that contains a consumer's personal information, including credit card information, must develop, implement and maintain reasonable safeguards to protect the security, confidentiality and integrity of the personal information, including secure disposal of the data, in accordance with the Oregon Identity Theft Prevention Act (Oregon Laws 2007, Chapter 759).

.126 An agency shall be deemed to have met the requirements of the Oregon Identity Theft Prevention Act, if the agency is subject to and complies with:

a. Regulations promulgated pursuant to Title V of the Gramm-Leach-Bliley Act of 1999 (15 U.S.C. 6801 to 6809), as the act existed on October 1, 2007.

b. Regulations implementing the Health Insurance Portability and Accountability Act of 1996 (45 C.F.R. parts 160 and 164), as the act existed on October 1, 2007.

.127 An agency shall also be deemed to be compliant with the Oregon Identity Theft Prevention Act, if it implements an information security program that includes these safeguards:

a. Administrative safeguards such as the following, in which the agency:

- Designates one or more employees to coordinate the security program;
- Identifies reasonably foreseeable internal and external risks;
- Assesses the sufficiency of safeguards in place to control the identified risks;
- Trains and manages employees in the security program practices and procedures;

- Selects service providers capable of maintaining appropriate safeguards and requires those safeguards by contract; and
- Modifies the security program in light of business changes or new circumstances.

b. Technical safeguards such as the following, in which the agency:

- Assesses risks in network and software design;
- Assesses risks in information processing, transmission and storage;
- Detects, prevents and responds to attacks or system failures; and
- Regularly tests and monitors the effectiveness of key controls, systems and procedures.

c. Physical safeguards such as the following, in which the agency:

- Assesses risks of information storage and disposal;
- Detects, prevents and responds to intrusions;
- Protects against unauthorized access to or use of personal information during or after the collection, transportation and destruction or disposal of the information; and
- Disposes of personal information after it is no longer needed for business purposes or as required by local, state or federal law by burning, pulverizing, shredding or modifying a physical record and by destroying or erasing electronic media so that the information cannot be read or reconstructed. The agency may contract with another person engaged in the business of record destruction to dispose of personal information in a manner consistent with this paragraph.

.128 Any media (paper, electronic, or other) containing confidential cardholder information must be protected from unauthorized access and/or disclosure at all times. Backup media must likewise be securely stored. Paper documents containing confidential information must be stored in secure areas and/or in locking cabinets. Procedures to ensure the security of the keys or other locking mechanisms are also required.

.129 Networks or other devices, including point-of-sale terminals, used to store, process or transmit confidential credit card information collected from customers must be secure. Agencies must comply with the ISO/IEC 27002 Standard or the security architecture component of the Statewide Technical Architecture standard. ISO/IEC 27002 is an international information technology management standard that provides a generic set of best practices for use by those involved in initiating, implementing, or maintaining information security in an organization. The controls addressed by these standards include, but are not limited to, adequate physical and logical access security such as firewalls, data storage and transmission encryption, limited access to computer hardware, hardening servers, and regularly changed strong passwords.

Security Breach and Notification Requirements

.130 Under the Oregon Identity Theft Prevention Act, any agency that maintains personal information, including credit card information, of Oregon consumers must notify its customers if computer files containing that personal information have been subject to a security breach. The notification must be done as soon as possible, in one of the following ways:

a. Written notification.

b. Electronic, if this is the customary means of communication between an agency and its customers.

c. Telephone notice, provided that the agency can directly contact its customers.

.131 If an agency can demonstrate that the cost of notifying customers would exceed $250,000, that the number of those who need to be contacted is more than 350,000; or if the agency does not have the means to sufficiently contact consumers, the agency may give substitute notice. Substitute notice consists of:

a. Conspicuous posting of the notice or a link to the notice on the agency's website, if one is maintained, and

b. Notification to major statewide Oregon television and newspaper media.

.132 Notification may be delayed if a law enforcement agency determines that it will impede a criminal investigation.

.133 If an investigation into the breach or consultation with a federal, state or local law enforcement agency determines there is no reasonable likelihood of harm to consumers, or if the personal information was encrypted or made unreadable, notification is not required.

.134 If the security breach affects more than 1,000 consumers, the agency must report to all nationwide credit-reporting agencies the timing, distribution, and the content of the notice given to the affected consumers.

.135 Any state agency that is subject to and complies with the notification regulations or guidance adopted under Gramm-Leach-Bliley Act meets Oregon's requirements. However, if the breach involves the personal information of employees, the agency must follow Oregon's notification requirements.

.136 Agency resources, including best practices, checklists, sample notification letters and other tools, are available at the following websites:

a. Department of Consumer & Business Services: http://dfr.oregon.gov/Pages/index.aspx

b. Department of Administrative Services, Enterprise Information Strategy and Policy Division, Enterprise Security Office: http://www.oregon.gov/DAS/OSCIO/Pages/Security.aspx

Compliance with Payment Card Industry Standards

.137 Agencies that store, process or transmit cardholder information associated with credit card transactions must also comply with applicable industry data security standards. Visa, MasterCard, American Express, and Discover card brands require compliance with the Payment Card Industry Data Security Standard (PCI-DSS). The PCI-DSS is a multifaceted security standard that includes requirements for security management, policies, procedures, network architecture, software design and other critical protective measures. **Failure to comply with industry standards may result in fines and/or revocation of credit card acceptance.**

.138 State agencies are required to implement a credit card processing system that does not store the following sensitive authentication data subsequent to authorization of the transaction:

a. The full contents of the magnetic stripe on the back side of the credit card.

b. The card validation code or value (the three-digit or four-digit number printed on either the front or back of the credit card).

c. The personal identification number (PIN) or the encrypted PIN block.

.139 The PCI-DSS also requires entities to develop internal policies and procedures that address credit card handling from the time information is received through its secure disposal. Examples of policy areas include:

a. Credit card processing procedures for agency staff and supervisors.

b. Access to credit card systems and information.

c. Security policy for credit card transactions.

d. Incident response plan for data breaches.

e. Storage of sensitive information, data retention and disposal policy.

.140 Agencies that accept credit cards as a payment option should work with OST to ensure they are PCI-DSS compliant and have successfully mitigated the risks associated with this payment option.

Third Party Service Organizations

.141 Third party service organizations that provide storage, processing, or transmission services and/or applications to state agencies associated with credit card transactions must be prequalified by the Office of the Treasurer (OST). Prequalification provides assurance that these vendors have met minimum industry and state security, interface, and depository requirements. In addition, OST will require an annual requalification to ensure that all approved vendors remain qualified. For more information on third party vendor requirements in connection with credit card transactions, refer to **OST Policy 02 18 14.PO**.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT: Internal Control **DIVISION:** Chief Financial Office	**Number:** 10.40.00 **Effective date**: June 1, 2012
Chapter: Internal Control **Part:** Expenditures **Section:**	
APPROVED: George Naughton, Chief Financial Officer	Signature on file

PURPOSE: This policy sets **accountability** standards for **agency heads** and employees with delegated commitment and expenditure authority. It defines accountability for all employees within a given risk environment. Oregon statutes give agency heads the responsibility for approving the use of state resources for commitments, **expenditures**, and disbursements of their agency.

AUTHORITY:

ORS 98.352
ORS 291.015
ORS 291.990
ORS 293.275
ORS 293.295
ORS 293.306
ORS 293.330
ORS 293.375
ORS 293.450
ORS 293.455
ORS 293.460
ORS 293.475
ORS 293.480
ORS 293.485
ORS 293.490
ORS 293.495
ORS 293.590

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:

Employee Responsibility

101. An agency head is authorized to make expenditure decisions by statute and legislative appropriation. If the agency head delegates **expenditure decision authority** to subordinates, it must be in writing. Any person who exercises expenditure decision authority will be legally responsible and accountable for the expenditure. The agency head or approving officer can be held responsible or accountable for another's expenditure, especially when he or she knows the expenditure is unlawful or contrary to agency policy. The person exercising expenditure decision authority directs another person to make a purchase or incur an expenditure. The person following this direction will not be held responsible or accountable for the expenditure unless the person being directed clearly knows the expenditure is unlawful.

102. Each employee authorized to make an expenditure decision involving **state funds** is responsible for the "good judgment" and "lawfulness" of the expenditure. He or she must ensure that the transaction is for authorized purposes and is a responsible and appropriate use

of the funds. A negligent or fraudulent expenditure can result in personal financial responsibility and disciplinary action up to and including dismissal.

103. The following four criteria must be met for payment of a **claim** against money in the State Treasury:

a. The agency that incurred the **obligation** or made the expenditure must possess an approval document signed by an **approving officer**.

b. Provision for payment of the claim must be by law and appropriation.

c. The obligation or expenditure on which the claim is based must be authorized by law.

d. The claim otherwise satisfies requirements as provided by law.

104. The agency head should initiate and complete appropriate corrective action when subordinates violate policy. He or she should maintain appropriate documentation supporting delegated authority, approved payments, and corrective actions.

105. The controller or chief financial officer may assist the agency head in monitoring compliance with the agency's accountability policy. Periodic reviews of agency expenditures by the agency head help to assure appropriateness. Agency management should ensure that adequate internal management controls exist to give reasonable assurance of compliance.

Fiscal Office Responsibility

106. Accounting office personnel without delegated expenditure decision authority or any pre-audit responsibility are responsible for the accuracy of their actions in processing claims based upon the information available to them. Claim processors should exercise reasonable care in performing the duties assigned to them. Likewise, **employees who execute payment documents** do not have expenditure decision authority unless specifically designated.

Penalties for Inappropriate Action

107. Consideration of risk, materiality, and required effort are key elements in management's evaluation of necessary controls. While waste and abuse must be controlled and eliminated, the controls must serve a good business purpose and be cost beneficial.

108. Although unusual, there are occasional cases of employee dishonesty. Any suspected dishonesty case will be handled according to **ORS Chapter 278** and Department of Administrative Services Risk Management policy. Additional information is available on the Risk Management website at http://www.oregon.gov/DAS/Risk/pages/index.aspx .

109. Inappropriate actions by people authorized to expend state funds may result in penalties. In some cases, there could be denial of the state's insurance protection for employees when purchases were not for appropriate purposes. The following are typical consequences relating to different levels of inappropriate expenditures:

a. A simple error is an unintentional action that was thought at the time to be proper but discovered later to be inappropriate. There is no penalty for a simple error as long as it is not part of a pattern of simple errors. Such a pattern may move the action to the negligence category.

b. Negligence is failure to act reasonably under existing circumstances. An employee may incur disciplinary action for expenditures that are negligent or contrary to state or agency policy.

c. Gross negligence is wanton or reckless disregard of one's duty of due care. The penalty for gross negligence may include personal financial responsibility and disciplinary action up to and including dismissal.

d. Fraud is intentional material misrepresentation or omission when there is a duty to disclose a loss or unlawful diversion of public funds. Theft is intentional diversion of state property to personal use. The penalties for fraud and theft may include personal liability; disciplinary action up to and including dismissal; and criminal sanctions.

110. In addition to the sanctions described in the preceding section, the state may refer instances of abuse that violate other statutes to the appropriate law enforcement authority. These referrals may include, but are not limited to, criminal prosecutions for theft (**ORS 164.015 - 164.125**) or abuse of public office (**ORS 162.415**) and proceedings for violations of the Oregon Ethics in Government Act (**ORS chapter 244**).

111. The Code of Ethics for state employees (**ORS 244.040**) provides that no employee can gain personally from his or her employment. Courts have declared that public office is a trust for the benefit of the public that the government serves. It is the duty of all public officers and employees to exercise good judgment and common sense in obligating and expending the resources of the state. Each employee must take responsibility for the wise use of state resources.

PROCEDURE:

Standard Payment Process

112. The State Treasurer pays on demand all sums authorized by law if there are appropriate and sufficient funds in the Treasury to make the payment; pays all warrants drawn on the Treasury in the order in which the warrants are presented out of the appropriate fund; and pays no amount out of the Treasury except when allowed by law.

Expenditure Authority, Responsibility, and Accountability

113. Each agency head must document the delegation of expenditure decision authority to specific individuals. He or she must ensure policies and procedures are in place and that they are consistent with this policy and describe the required documentation, the approval process, the penalty or correction process and criteria, and any delegated responsibility. Required documentation must be maintained for audit purposes. For agencies using electronic approvals, the delegation listing must be kept current to document the authorizations made. (Forms for establishing signature authority are available from the State Treasury at http://www.oregon.gov/treasury/Divisions/Finance/StateAgencies/Pages/Cash-Management-Forms.aspx .)

114. **Payment documents** used to authorize expenditures include invoices, entitlements, awards and grants, grant disbursement requests, vouchers, check requests, insurance claims, **purchase orders**, contract release orders, travel claims, personnel actions for payroll transactions, and other similar forms. When an approving officer with sufficient delegated authority approves these or similar documents, claim processors make the payment in a timely

way consistent with good cash management practices. Claim processors can rely on the approval as the only necessary authorization to make payment if so directed by agency policy.

115. Employees independent of the claims and payables process should review claim payments internally for accuracy and appropriateness.

Evaluation of Commitment or Obligation

116. Careful review of any expenditure, encumbrance, or obligation by the approving officer includes asking appropriate questions. These evaluations are not required of the controller or chief accounting officer unless so delegated by the agency head. The following questions are examples and are not all-inclusive. They are recommended for approving officers because of their potential liability.

a. Is this a legal obligation for the state to incur? Does it comply with statute and policy?

b. Is this obligation a responsible and appropriate use of these funds for this agency and for the state as a whole?

c. Did the agency receive the goods or services at full value as requested?

d. Are there adequate budget resources available now to allow us to incur this obligation?

e. Will this obligation or expenditure pass the "public perception" test? That is, would I be comfortable if I saw this transaction written up on the front page of the local newspaper?

f. Am I willing to approve this obligation knowing that I am fully responsible?

Authorization of Obligation

117. Contracts, purchases, invoices, grants and expenditure claims are approved by an approving officer who authorizes the state obligation. If in doubt about the appropriateness of an expenditure, the approving officer could consider documenting his or her rationale and the reasonable business purpose of the expenditure.

118. The signature or electronic approval of the approving officer means that adequate funds are available with existing budgetary authority, that this is an appropriate and authorized expenditure of state resources, that personal financial liability could be assessed if later determined to be an inappropriate expenditure of state funds, and the person authorizing the expenditure is authorized to make it. The following are specific meanings for certain approvals:

a. <u>State Purchase Order or Contract Release Order</u>. Approval means the items purchased are authorized by or comply with the Department of Administrative Services' policies and procedures and that provision for payment is by law and appropriation to cover this purchase. In addition, approval means this purchase is allowed by statute and is a responsible and appropriate use of these funds.

b. <u>Invoices and credit card charges</u>. Approval means the materials, services, or other expenses covered by the claim have been furnished, rendered, or expended on behalf of the state. Approval means the provision for payment is by law and appropriation, the obligation or expenditure is authorized by law, and the claim satisfies the requirements as provided by section 103 above. The claim has been approved for payment in a specific amount.

c. Travel Claims. After the traveler certifies the accuracy and appropriateness of the claim, the approving officer should approve the claim. A commissioner, board member, or other approving authority in an agency will approve the agency head's travel claims. The approval signature means that expenses claimed are valid and authorized "duty required" expenses, the expenses comply with current travel policies and **ORS 292.220**, and that provision for payment is by law and appropriation.

d. Payroll Actions and Personnel Action Forms. Approval means the person named on the form is an employee of the state in a permanent or temporary position authorized by the legislatively approved budget, that provision for payment is by law and appropriation to pay the salary and benefits indicated, and that the approval signature is that of the designated appointing authority.

e. Entitlements, Awards, and Grants. Approval means that the "grantee" meets the criteria for the award, that provision for payment of the award is by law and appropriation, and that the current disbursement complies with the provisions of the grant or contract and any related federal requirements.

f. Other Claims. Approval means the expenditure is legally authorized and is a responsible and appropriate use of the funds, provision for payment is by law and appropriation, and the approval is by an authorized employee of the state.

119. Documentation must show that an agency has received proper value, as defined by agency management, and has complied with **ORS 293.295** before a voucher is authorized for payment. This may consist of evidence that (a) goods or services have been received; (b) items delivered were as specified; (c) prices, terms, and extensions shown on the vendor's invoices are correct. Agencies should pay vouchers by the due dates to take advantage of maximum discounts.

120. An optimum standard of control over the processing of payments for purchases of goods or services, benefit or similar payments, and refunds would provide a three-way match of documents. The match may include the following with each item originating from a separate, unrelated work unit.

a. The authorization or payment request is sent to the disbursement unit.

b. Receipt of goods or services or eligibility for payment is sent to the disbursement unit.

c. Incoming invoices, if applicable, are delivered directly to the disbursement unit.

d. The disbursement unit proofs invoice amounts, matches all related documents, and prepares a voucher or check for the appropriate payment.

121. The state pays overdue account charges incurred by state agencies that do not promptly pay for goods and services provided by private businesses. Claims are considered "overdue" if a check or warrant is 45 days from the date the agency received the invoice, or the date of the initial billing statement if no invoice is received, or the date the claim is certain by agreement of the parties or by operation of law. Overdue account charges will not exceed 8-percent per annum and are to be paid against an agency's appropriation or limitation.

Expiration of Warrants and Checks

122. All warrants and checks issued by state agencies will include in at least 8-point type this statement, "VOID AFTER 2 YEARS FROM DATE OF ISSUE." Checks and warrants that are

computer-generated may use a computer printed statement; all other checks will require the statement to be typed or stamped.

123. Annually between October 1 and November 1, SFMS Operations will prepare a list of all unpaid warrants issued for a period of more than two years prior to July 1 of the year the list is prepared. Agencies due diligence responsibilities include making at least one attempt to find the vendor no later than 90 days prior to October 1 for all warrants $100 or more. Agencies may not charge the vendor for the search and must keep records of their attempt for three years. All warrants appearing on the list will be expired in R*STARS.

124. Annually, between October 1 and November 1, each agency that maintains a checking account will prepare from its records, and certify to the Department of State Lands, a list of all checks that are outstanding and not paid by the State Treasurer for a period of more than two years prior to July 1 of the year the list is prepared.

125. After October 1 of each year, the State Treasurer may refuse payment of the outstanding checks on the lists of checks and warrants more than two years old. Statewide Financial Management Services (SFMS) staff will debit general fund cash and credit deposit liability for the amount of the expired General Fund warrants. SFMS will instruct transfer of all other amounts related to unpresented warrants to the Department of State Lands for deposit in the Unclaimed Property Revolving Fund within the Common School Fund Account. Agencies will instruct transfer of all other amounts related to unpresented checks to the Department of State Lands. The lawful owner of any check or warrant expired after two years may file a claim with the Department of State Lands. If the Department of State Lands is satisfied that an unpaid check or warrant is for a valid claim, the state will pay the check or warrant and charge the originating fund.

Duplicate Instruments

126. No warrant or check will be paid until such warrant or check, or duplicate thereof, is surrendered to the State Treasurer. A duplicate warrant or check may be issued if the lawful owner furnishes a notarized affidavit that satisfies the payment officer that the original instrument was lost, stolen, or destroyed. Any agency that receives a request to issue a duplicate Department of Administrative Services warrant should send a request for Stop Payment of the original warrant to SFMS Operations. Once the agency has received a notarized affidavit from the lawful owner, the agency may issue a replacement warrant to the claimant.

127. The issuing agency must search for the original instrument out of the paid instruments returned to the agency from the State Treasurer. Copies of truncated R*STARS redeemed warrants may be obtained by contacting the Cash Management Section of the State Treasury. Refer to http://www.oregon.gov/treasury/Divisions/Finance/StateAgencies/Pages/Cash-Management-Forms.aspx. If the original instrument is found, a copy of both sides will be furnished to the person applying for a duplicate instrument. If the applicant determines beyond any doubt that the endorsement is a forgery, he or she must submit an affidavit of forgery. The agency returns the original instrument or authentic reproduction immediately to the State Treasurer who will promptly return the instrument to the presenting or payor bank for credit. The State Treasurer will not be liable for his or her inability to obtain credit from the presenting or payor bank for an instrument returned without credit.

128. Each agency that lawfully issues checks upon the State Treasurer must have a procedure of issuing duplicate instruments. Agencies may adopt the uniform procedure of issuing and delivering duplicate instruments to people entitled to replacement of lost, stolen, or destroyed instruments.

129. If an instrument is paid in an unauthorized manner, the wrongful payment will not relieve the agency issuing the instrument from liability to the true and lawful owner. The person making the wrongful payment and the sureties on his or her official bond, if any, must pay the full amount of the loss.

Death of Payee

130. If the payee of a warrant or check drawn on the State Treasurer dies after issuance of the instrument without receiving payment and the payee's estate is not probated, the authorized survivor(s) of the payee may obtain payment after completing the following two actions:

a. Surrender the instrument to the State Treasurer with endorsement in the name of the payee and of herself or himself, or themselves as survivor(s); and

b. File with the instrument an affidavit to the effect that the affiant(s) is (are) the survivor(s) of the person entitled to the proceeds of the instrument.

Payment will be made to the survivors as prescribed by **ORS 293.490** and **293.495**.

OREGON ACCOUNTING MANUAL		Number 10.40.10
Oregon Department of Administrative Services State Controller's Division	**Policy**	Effective Date July 28, 2003
Chapter	**Internal Control**	.1 OF .4
Part	**Expenditures**	
Section	**Non-travel Meals and Refreshments**	Approval Signature on file at SCD

Authority **ORS 291.015**
ORS 293.295
ORS 293.330
ORS 293.590

Purpose and Applicability

.101 This policy provides guidelines to **agencies** concerning when meals and refreshments may be paid for with **State funds**. Applicability of this policy is limited to non-travel business meals and refreshments. *Non-travel business* would include meetings, training sessions, conferences, or other agency-sponsored events to conduct official state business. This policy does not apply to reimbursement (through submission of travel expense claim) or provision (provided by agency directly) of meals and refreshments to employees or authorized non-state individuals, including volunteers and board or commission members, while the employee or individual is on travel status. See **OAM 40.10.00** (travel policy) for situations in which the employee or authorized non-state individual, including volunteer, is on travel status.

.102 As noted in **OAM 10.40.00**, Internal Control – Expenditures, employees authorized to obligate State funds are responsible to ensure the expenditure is appropriate and lawful. Public employees may be personally liable for obligations that are inappropriate or an improper use of State funds. As with any expenditure, **agency heads** and employees with delegated **expenditure decision authority** are responsible to determine the appropriateness of purchases and to ensure that sufficient documentation exists to support the expenditure. The purchase must serve the business needs of the agency, and authorization must be provided prior to obligation of funds. This policy is intended to provide guidelines to help decision-makers determine the prudence of purchasing non-travel meals and refreshments with State funds. The cost of non-travel meals and refreshments should be reasonable and not excessive.

.103 Agency management is responsible for establishing procedures to implement this policy. Individual agencies may adopt policies on meals and refreshments that are more restrictive than this policy, at the discretion of the agency.

Meals

.104 Meals are defined to include food and beverages provided at breakfast, lunch, or dinner to attendees of agency-sponsored functions.

.105 State funds must not be used to provide non-travel business meals for regularly scheduled staff meetings. In addition, state funds must not be used to provide non-travel business meals for business meetings where the majority of participants are state employees, except as allowed in (a), (b), and (c) below:

a. Even when the majority of participants are state employees, a non-travel business meal may be provided at legal proceedings such as a hearing, trial, deposition, or mediation. At the discretion of the agency, a meal may be provided when an employee is participating in legal proceedings and the meal is served during the course of the proceedings or the cost of the meal is incurred as a part of preparing a participant for ongoing legal proceedings.

b. Even when the majority of participants are state employees, a non-travel business meal may be provided at training sessions and conferences attended by a minimum of 25 participants. For training sessions and conferences attended by less than 25 participants, agencies should apply professional judgment to consider whether participants can reasonably be expected to obtain and consume a meal on their own based on proximity to available food service and return within an hour. If participants cannot reasonably be expected to obtain and consume a meal on their own based on proximity to available food service and return within an hour, a meal may be provided with State funds. When a meal is provided at training sessions and conferences, it is not necessary that business be conducted during the meal period.

c. Even when the majority of participants are state employees, a non-travel business meal may be provided to participants of board and commission meetings (boards and commissions must be approved by statute) when a business meeting is held over a normally scheduled meal period and the meeting is at least 3 hours long. Participants may include staff, but only those essential for the conduct of business.

.106 In addition to .105 above, State funds must not be used to provide non-travel business meals for employees or other participants, except as noted in paragraph .107 below.

.107 A meal may be provided to attendees when a business meeting includes a working business meal at which the attendance of participants is required, and the meal period is designated as a work session, which is documented in the meeting agenda. Business must be conducted during the meal period and a benefit to the State must be gained by providing the meal as part of the agenda rather than dismissing attendees to obtain a meal. For example, benefits may be gained in that providing a meal maintains continuity, promotes safety, or enables resumption of duties.

Refreshments

.108 <u>Refreshments</u> are defined to include beverages such as coffee, tea, bottled water, juice, soda, and similar liquid refreshments as well as sugar and creamer. Food items such as fruit, pastries, chips, cookies, cake, candy, etc., are also considered refreshments.

.109 State funds must not be used to provide refreshments for:

a. Regularly scheduled staff meetings.

b. Office social events such as celebrating holidays or birthdays.

c. Voluntary social events (either off-site or in the office) such as agency-sponsored retirement celebrations.

.110 State funds may not be used to purchase bottled water and/or water dispensers for offices, except when water has been officially tested and found to be unsafe for drinking purposes, or in cases of permanent or temporary water unavailability. In temporary situations, agencies should document the circumstances as justification for the need to purchase water.

.111 State funds may only be used to purchase alcoholic beverages if an agency has an appropriate business-related function. In addition, agencies that purchase alcoholic beverages for business-related functions must comply with Risk Management Policy 125-7-401 (see http://www.oregon.gov/das/Risk/Pages/Insself.aspx.

.112 Alcoholic beverages in paragraph .111 above do not include alcoholic beverage products purchased for commercial distribution, such as operations of the Oregon Liquor Control Commission.

.113 At the discretion of the agency, State funds may be used to provide refreshments for the purposes or events listed below.

a. Business meetings with industry representatives or the public. This may include events such as task force, advisory board, or commission meetings.

b. Business meetings involving state employees that are scheduled to last 4 hours or longer and cafeteria services are not reasonably available.

c. Business meetings or training events when the majority of personnel attending are called in from field office locations outside the city where the meeting or training is taking place.

d. Training events held for the purpose of instruction or dissemination of information to state employees and/or the general public.

e. Staff retreats held for the purpose of the agency's work-related planning.

f. Agency-sponsored employee recognition or volunteer recognition programs.

g. When refreshments are included as a non-separable portion of the cost of renting a facility.

h. As a gesture of appreciation to volunteers during or after work is performed.

Related Items

.114 Essential serving products such as paper plates, cups, and plastic utensils may be purchased with State funds, as long as the purpose or event meets the guidelines for purchasing meals or refreshments outlined in this policy.

.115 Other related items such as those listed below may not be purchased with State funds:

- Holiday decorations
- Indoor house plants or flower arrangements
- Retirement invitations, cards, gifts, and party favors
- Punch bowl sets or other specialty serving containers

.116 Related items in paragraph .115 above do not include serving containers or other items used in commercial operations such as conference rental facilities operated by state agencies or promotional items that support an agency's business mission.

Documentation and Payment

.117 When meals or refreshments are provided for a given event, the following record keeping should be used to account for the use of State funds:

a. Written agenda for the meeting documenting that it was a working business meal. For training sessions and conferences, there is no requirement that business be conducted during the meal; however, a written agenda of the training session or conference is required.

b. Written list of meeting attendees, including the number of state employees versus the number of non-state employees (in cases where personal identity is confidential or sensitive in nature, a number of attendees is sufficient; however, the number of state employees versus the number of non-state employees should still be indicated).

c. An itemized invoice or receipt, including unit costs, from the vendor who provided the meals and refreshments.

.118 The written agenda and list of attendees (or number of participants) should be attached to the invoice for payment to vendors for meals and refreshments.

.119 If a questionable or inappropriate payment is made that does not comply with the guidelines outlined in this policy, agency management should take appropriate action, including obtaining reimbursement from the employee who authorized the purchase.

OREGON ACCOUNTING MANUAL		Number 10.50.00.PO
Oregon Department of Administrative Services State Controller's Division	**Policy**	Effective Date July 1, 2001
Chapter	**Internal Control**	.1 OF .2
Part	**Capital and Non-capital Assets**	
Section		Approval Signature on file at SCD

Authority **ORS 270.010**
ORS 276.227
ORS 278.005
ORS 278.011
ORS 278.405

Real Property

.101 It shall be the policy of the State to hold in State ownership no more **real property** than is necessary to conduct official business, with allowance for reasonably foreseeable demands of the future. The acquisition, sale, exchange, lease, retention, and management of State-owned real property shall be subject to a statewide plan. The plan will encourage the transfer through sale or lease of property already in State ownership to private ownership and use. The plan's objective will be to minimize State investment in such land and place such land on the tax rolls.

.102 The State recognizes that providing and operating State government facilities is a significant capital investment. Accordingly, it is the policy of the State to plan, finance, acquire, construct, manage, and maintain its facilities in a manner that maximizes and protects this investment.

Personal Property

.103 Agency management is responsible to ensure that internal controls are sufficient to provide reasonable assurance that State assets are not lost or stolen.

.104 The administrative head of each agency has a responsibility to maintain a system (manual or automated) which will assure that the State's property (**capital** and **non-capital**) is accounted for and classified properly, accurately, and systematically. The agency administrator will appoint an individual to maintain this system. Refer to the OAM 15.60.00 Chapters for guidance on accounting for capital assets or **OAM 15.55.00** for non-capital assets.

.105 Functional responsibilities for capital assets that agencies should delegate to separate departments or management levels are:

- Planning and approval of capital expenditures.
- Authority to idle, sell, or otherwise take assets out of production.
- Data processing of capital asset acquisition and payment transactions.
- Physical custody and operating responsibility for use of assets.
- Reconciliation of the inspection (inventory) of capital assets to the subsidiary records.

Insurance

.106 The State pays, through the Insurance Fund, its cost of restoring most State property that may be lost, damaged or destroyed. The purpose of self-insuring is to restore property needed for the operations of the State. The Insurance Fund is meant to reimburse for accidental loss, not to substitute for the duty of each agency to prevent and reduce loss or to maintain good repair.

.107 For officer, employee, and **agent** dishonesty losses covered by Risk Management Policy, the State is self-insured. One deductible applies to each loss as follows:

a. Five thousand dollar ($5,000) deductible for employee dishonesty. If an agency had a loss control or fiscal management program in place prior to the loss which, if followed, would have minimized the loss, Risk Management will reduce the deductible to $500.

b. Two hundred fifty thousand dollar ($250,000) deductible for unfaithful performance (employee's failure to perform certain duties prescribed by law). This may change without notice.

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Authority ORS 270.020
ORS 270.100
ORS 270.180
ORS 276.180
ORS 276.227
ORS 278.405
ORS 283.337
ORS 283.343
ORS 283.350
ORS 293.590

.101 **Capital assets** are all tangible or intangible property used in an agency's operations that have initial estimated useful lives beyond a single year and have an initial cost (inclusive of **ancillary charges** necessary to place the asset into its intended location and condition for use) of at least $5,000. Items below the $5,000 threshold should not be capitalized. Examples of capital assets include land, land improvements, buildings and building improvements, motor vehicles, equipment and machinery, works of art and historical treasures, and **infrastructure** items such as state highways and airports**.**

.102 **Non-capital assets** are all tangible and intangible property used in agency operations that have initial estimated useful lives beyond a single year and have an initial cost (inclusive of ancillary charges) of less than $5,000. Although non-capital assets should not be capitalized, agency management should determine which of these assets is at high risk of loss (e.g. laptop computers, firearms, hand tools, etc.) and should inventory and track these assets on a separate inventory listing. Public stewardship, risk, and internal control concerns should govern the agency's decision on how these assets are managed and tracked.

.103 Capital assets may be acquired by outright purchase, construction, lease purchase agreement, installment purchase contract, eminent domain, foreclosure, transfer from another fund or agency, or gift. Capital assets should be separated and recorded under the proper definition as land, land improvements, buildings and building improvements, equipment and machinery, data processing hardware, data processing software, works of art and historical treasures, and infrastructure.

.104 Reconciliations of capital outlay expenditures to capital assets should be completed by each agency on at least a quarterly basis.

Real Property

.105 DAS Facilities Division shall maintain and keep current an inventory of all State-owned property and shall classify all such property on the basis of current use, value, idle or surplus to the agency need. DAS shall establish categories of real property necessary for management of state-owned real property. Land owning agencies shall provide status information, as requested by DAS, of agency-owned land.

.106 When vacated and no longer required for institution uses, all or any portion of the buildings, grounds, and facilities presently operated and controlled by the Mental Health and Developmental Disability Services Division, Department of Corrections, State Office for Services to Children and Families, or the State Board of Education, are transferred to the DAS, if the Department of Administrative Services orders such transfer.

.107 Agencies are required to secure approval from DAS for sale of all other real property prior to disposition. Excepted agencies (Department of Fish and Wildlife, Department of Forestry, Department of Transportation, Division of State Lands, Oregon University System, Parks and Recreation Department) and agencies of the legislative or judicial branches must receive prior approval if disposition is for less than the fair market value of the land. A copy of the approval will be kept in the agency's control file.

.108 Property is removed from the property ledger only when title is transferred to another.

Vehicles

.109 DAS shall control and regulate the acquisition, use, maintenance, and disposal of motor vehicles used for State business.

.110 Agencies wanting to acquire passenger vehicles not listed on State price agreement shall seek and receive specific approval from the Joint Legislative Committee on Ways and Means or the Legislative Emergency Board before proceeding with vehicle acquisition through DAS purchasing.

.111 Exceptions to .110 above require signature approval of the administrator of the TPPS Division of DAS and shall be permitted in instances enumerated in DAS Fleet Policy. (See http://www.oregon.gov/DAS/EAM/FPS/pages/policies.aspx.)

.112 State vehicles deemed to have reached the end of their efficient life cycle shall be disposed of according to State law. Vehicles scheduled for disposal will be sold through DAS TPPS Division Surplus Property.

.113 State-owned sedans and station wagons must meet a minimum monthly mileage requirment. Vehicles not achieving the monthly mileage threshold as averaged over a designated six-month period may be subject to sale. Refer to DAS Fleet Policy http://www.oregon.gov/DAS/EAM/FPS/pages/policies.aspx.

.114 Agencies are responsible for obtaining the most cost-effective means of transportation for their employees. The most cost-effective alternative is motor pool vehicles. If a motor pool vehicle is not available, agencies may reimburse private car mileage, or approve rental of a vehicle through State price agreement. These choices should only be temporary until a Motor Pool vehicle is available.

.115 With few exceptions, the State's vehicles shall be stored at sites owned, leased, or controlled by the State. When practical, a State vehicle at home, hotel, or motel shall be parked off the street in a reasonably secure setting.

.116 An agency may allow a State vehicle to be parked at an employee's home when a task or trip requires the driver to depart so early or return so late that it is impractical to pick up or return the vehicle to State Parking the same day. The agency must do a cost-benefit analysis before a long-term assignment of a vehicle to an employee's home.

.117 State owned or operated automobiles or trucks shall be marked, in plain lettering of readable size, with the name of the owning or operating agency, followed by the words "State of Oregon." Subject to the approval of the TPPS Division Administrator, vehicles owned or operated by State agencies may be unmarked when used by State agencies for specific purposes such as undercover criminal investigation.

.118 Agency management shall be responsible for acquiring vehicle services and replacement parts at the lowest possible cost and/or value to the State. Management shall also ensure that purchases and record keeping comply with State laws and generally accepted accounting principles.

.119 Custody of assets should be separated from recordkeeping. For instance, vehicle titles should be controlled by an individual in a unit separate from fleet storage and maintenance.

Inventory

.120 Personal property meeting the definition of capital assets should be capitalized, tagged with a State of Oregon identification tag and property control number, listed on the capital asset property inventory, and physically inventoried at least annually. Discrepancies should be investigated. Support that a physical inventory has been taken, for all locations, should be retained in the agency's central accounting office.

.121 As an individual agency policy, a lower level (below $5,000) may be used for inventory control purposes only (not for capitalization).

.122 Agencies should identify, record, and control inventory items that have a high risk of loss such as:

Computer and electronic equipment

Photography equipment

Firearms

Hand tools

Any other items agency management identifies as being at high risk of loss

.123 The agency should establish a separate listing for high risk and other assets below the $5,000 capitalization threshold that are inventoried. The separate listings can be inventoried concurrently or on a different frequency than the capital asset inventory. High risk assets that are assigned to state employees are subject to **OAM 10.55.00**.

Vehicle Records

.124 Agencies shall maintain records on each vehicle under their control. Records shall include:

a. Accurate vehicle inventory.

b. Reliable detailed and accurate information on work performed, replacement parts, and associated costs.

.125 Vehicle maintenance and repair records must accompany vehicles when transferred to another owner.

.126 Agencies shall maintain records and provide DAS with information necessary to comply with biennial legislative reporting requirements identified in ORS 283.343, Compliance Examination On Use Of State Owned Vehicles.

.127 Agencies shall maintain records and provide DAS with information necessary for the annual reporting requirements identified in ORS 283.337, Reports to Department of Environmental Quality and Office of Energy.

Insurance

.128 Each agency is required to file a Risk Report annually with the Risk Management Division of the Department of Administrative Services (DAS). Agencies are required to report all property in their possession on July 1 of each year on which the risk management policy would pay losses. Loss to property omitted from the report will not be paid. Loss to property acquired after report preparation will be paid subject to Risk Management policy. Refer to http://oregon.gov/DAS/EGS/Risk/Pages/PolicyHandbook.aspx.

.129 Conditions of coverage for employee dishonesty are:

a. Agencies must immediately report any and all losses discovered from apparent fraudulent or dishonest acts by agency officers, employees, or agents to the Risk Management Division and the Secretary of State Audits Division.

b. Agencies must report any and all losses within 90 days after they are discovered. Late reporting may forfeit coverage.

c. Agencies may not forgive, release, or promise not to prosecute any staff alleged to have caused a loss.

d. Agencies must preserve and furnish to Risk Management and the Audits Division all evidence of loss and of fraud or dishonesty.

Failure to comply with the above conditions may expose a state officer, employee, or agent to personal liability.

Disposition

.130 All personal property (including both capital and non-capital assets), when removed from the property ledger for ***any*** reason, must be removed by completion of the form designated by the DAS-State Surplus Property Program.

.134 Agencies should respond to directions from State Surplus Property Program for disposal of the surplus property. Do not delete property sent to surplus from the property control ledger until notified that the property has been sold or disposed of.

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February 1, 2002</td></tr>
<tr><td>Chapter</td><td>Internal Control</td><td rowspan="2">.1 OF .1</td></tr>
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Authority **ORS 293.590**

Purpose

.101 This policy provides guidance for maintaining records of State property assigned to state employees, contractors, or volunteers.

Policy Standards

.102 Agency management is responsible for establishing procedures to issue and inventory property assigned to employees. State-owned property that may be assigned to state employees includes but is not limited to:

- Cell phones
- Pagers
- Palm pilots
- Keys and key cards
- Hand tools
- Laptop computers
- Cameras, camcorders, and photography equipment
- Televisions and VCRs
- Firearms
- Credit cards

.103 Records of property assigned to employees should be updated annually. The record should be used to document and assure that all property is returned to the State upon employee termination.

.104 Agencies that assign state-owned property to contractors should assure that the procedures for assigning and monitoring the use of the property are included in the contract. If state-owned property is assigned to volunteer workers, there should be a written agreement specifying how and when the property will be inventoried and how it should be returned upon completion of the volunteer assignment.

.105 Agencies should maintain an inventory of all property assigned to state employees, contractors, and volunteers and should make such inventory available for audit.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT:	Accounting and Financial Reporting	**Number:**	10.60.00.PO
DIVISION:	State Controller's Division	**Effective date:**	August 1, 2010
Chapter:	Internal Control		
Part:	Information Technology		
APPROVED:	John Radford, State Controller	Signature on file at SCD	

Authority **ORS 291.015**
ORS 293.590
ORS 293.595

Management of Risks, Performance, and Controls in the Information Technology (IT) Environment

.101 Each **agency head** is responsible for establishing, maintaining, and improving internal controls over the agency's information technology (IT). An agency must ensure the adequacy of the design, implementation, and operation of its IT controls to provide an acceptable level of confidence in agency systems and assurance that:

a. Management's IT goals and objectives are being accomplished effectively and efficiently;
b. IT investments and investment strategies are well planned and adequately funded;
c. IT assets are safeguarded; and
d. IT operational and investment strategies follow management's direction, authorization, and security and control policies.

.102 In addition, agencies must comply with all statewide IT security policies and initiatives issued by the Department of Administrative Services, Enterprise Information Strategy and Policy Division (DAS-EISPD) and all applicable federal and state laws and regulations pertaining to the confidentiality, integrity and availability of electronic data, including Oregon Laws 2007, Chapter 759.

.103 State agencies must provide adequate security and control training and other educational support to employees involved in the design, development, implementation, maintenance, and management of the IT infrastructure/function, as well as the storage and protection of the underlying data. A variety of nationally and locally recognized associations and DAS-EISPD provide training.

Review of IT Controls

.104 Periodically, agency management must review and test the performance of the agency's internal controls over information technologies.

.105 Agency management must prepare a report that identifies any significant or material weaknesses in the agency's IT controls and gives a status update on IT control weaknesses identified in earlier reports or noted by internal or external auditors. This report should be available for use by the

Department of Administrative Services as well as internal and external auditors. The agency must create a detailed plan for correcting the deficiencies and include estimated dates of completion.

.106 Agency heads should consider making the IT review process an annual event. The corresponding report would serve to document, as a permanent record, the effective management and control of the agency's IT operations and infrastructure investments.

.107 The Secretary of State, Audits Division has adopted CobiT (Control Objectives for Information and Related Technology) as the basis for auditing the IT management function. Agencies are also encouraged to adopt generally accepted standards relating to the IT management function.

.108 The Audits Division may review an agency's IT security and internal control management as part of its ongoing audit activities. Such a review will not satisfy the requirements of this policy for agency management to review and be accountable for the adequacy of the design, implementation, and operation of the agency's IT controls. However, suggestions from the Audits Division can be useful to agency managers in conducting IT reviews and formulating corrective action plans.

.109 The use of qualified agency internal auditors to assist management in reviewing IT controls is strongly encouraged. A properly staffed internal audit function may be able to provide ongoing monitoring and objective risk assessment. Independent review and analysis are critical elements in a well-designed framework of IT controls, particularly, during the planning, development, testing and implementation of systems.

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	10.60.00.PR
Division:	State Controller's Division	Effective date:	October 1, 2007
Chapter:	**Internal Control**		
Part:	**Information Technology**		
Section:			
Approved:	John Radford, State Controller	Signature on file at SCD	

Categories of Information Technology (IT) Controls

.101 In a computerized environment, controls are divided into two principal categories: general controls and application controls.

a. General controls are broad-based, pervasive controls that address the overall operation and activities of the information technology function. General controls apply to all information systems including mainframe, minicomputer, network, and end-user environments. They impact the entire data processing environment, including application systems. General controls address data center and network operations; system software acquisition and maintenance; physical security, environmental protection, disaster recovery, hardware maintenance and computer operations. Other examples include program change controls; controls that restrict access to programs or data; controls over implementation of packaged software or development of new software applications; and controls over system software that monitors the use of system utilities that could change financial data without leaving an audit trail.

b. Application controls, on the other hand, are more specific to individual application systems. They include both computerized and manual controls and are designed to help ensure the completeness, accuracy, and validity of all information processed. When data is transmitted from another system via an interface, application controls must be installed to ensure that all inputs are received and are valid and that all outputs are correct and properly distributed.

Segregation of Duties

.102 A primary aspect of general control includes the organization and operation controls related to the structure of the IT function and how duties are segregated. The IT organization is a support function in that it does not initiate or authorize transactions.

.103 In a well-structured IT organization, the following duties are segregated:

a. *Systems analysts* design the overall computer system. They decide what type of computer network is needed to accomplish management's goals and recommend changes to the overall network. The duties of the systems analyst must be segregated from the duties of the computer programmer and the computer operator.

b. *Application programmers* are responsible for writing the programs. The application programmer also handles the testing of programs, modification of existing programs, and preparation of computer operator instructions. The duties of the application programmer must be segregated from the duties of the systems analyst and computer operator.

c. *Systems programmers* are responsible for maintaining the operating system and related hardware. The systems programmer must not have access to application specific information about programs or data files. The duties of the systems programmer must also be segregated from the duties of systems analyst and computer operator.

d. The *computer operator* is responsible for maintaining live programs and data, scheduling processing activities, running programs, and distributing reports. It is critical that the computer operator and computer programmers be segregated; a person performing both functions would have the opportunity to make unauthorized and undetected program changes.

e. The *control clerk* logs and/or schedules the input and output as well as maintains the error and correction log. The clerk also controls the flow of batches through data entry and editing, monitors processing, and controls distribution of reports and other output.

f. The *IT supervisor* manages the functions and responsibilities of the IT organization and is a member of the external control group defined below.

g. The *external control group* usually consists of the data processing manager and other managers from user organizations. The external control group reviews input procedures; monitors data processing; reviews, approves and handles all reprocessing of errors; and verifies the proper distribution of data output.

h. The *file librarian* stores and protects the files, programs, and tapes from damage and unauthorized use.

i. The *security officer* is responsible for the assignment, maintenance, and timely changing of passwords. Passwords must never be written on paper and left in the workplace. The term *security officer* as used in this procedure refers to the role of the IT organization in controlling general systems access. This term is not synonymous with the term *agency security officer* as used in **OAM 10.70.00**; the agency security officer is responsible for authorizing and requesting access to the following financial systems or databases:

   R*STARS (Relational Statewide Accounting and Reporting System)
   ADPICS (Advanced Purchasing and Inventory Control System)
   OSPA (Oregon Statewide Payroll Application)
   Accounting Datamart (R*STARS reporting database)
   Payroll Datamart (OSPA reporting database)

j. *System administrators* are responsible for keeping information up-to-date and restricting access. Database administrators update databases and limit access to appropriate personnel. Similarly, network administrators oversee the computer network, while web administrators manage information on the website. Duties of system administrators should, when possible, be segregated from programming and operation duties.

k. *Data input* personnel prepare, verify, and input data to be processed.

Systems Development Controls

.104 Systems development deals with the implementation of new systems and the modification of existing systems. Agency heads and chief information officers (CIOs) must assure all system, implementations, enhancements, and program modifications are appropriately authorized and documented.

.105 Agency heads and CIOs must submit a request identifying the need and outlining the steps to be taken for implementing new IT systems or modifying existing IT systems. Necessary elements include:

a. Proper approval by the State Controller's Division (SCD) and Enterprise Information Strategy and Policy Division (EISPD) to acquire or modify fiscal systems. Refer to **OAM 10.65.00.PO**, *Approval of Proposed Fiscal Systems*, and EISPD statewide policies concerning systems development.

b. Appropriate documentation describing the nature and logic of the proposed changes;

c. A proper methodology for testing and debugging all changes on a test system before incorporating the changes into an operable system;

d. A log of all system enhancements and modifications.

.106 No changes shall be made to programs and files until authorization is provided in writing, and only computer programmers are allowed to make the changes. The same control procedures that apply to the installation or modification of application programs also apply to changes in systems software (e.g., the operating system).

Documentation Controls

.107 There are three levels of documentation that must be maintained. Documentation at each level normally consists of flowcharts and a narrative description.

a. System documentation provides an overview of the programs and data files, how processing occurs, and how different programs within the system interact with each other. In essence, system documentation is documentation of internal control.

b. Program documentation provides a detailed analysis of the data used, the program logic, and the data produced.

c. Operator documentation (also called the "run manual") provides instructions for the computer operator on the use of the program (including required data files, startup instructions, check points, and program output).

Hardware Controls

.108 Necessary hardware controls are usually built into the equipment by the manufacturer and include parity checks, echo checks, and read-after-write checks.

Access Controls

.109 Access to program documentation, data files, programs, and computer hardware must be limited to the extent required by individual job duties. Access controls include the use of multi-level security, user identifications coupled with regularly changed passwords, limited access rooms, call backs and dial-up systems, use of file attributes, firewalls, and encryption of confidential data.

Safeguarding Records and Files

.110 The International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC) establish worldwide IT security standards that EISPD has adopted as the guide for creating an enterprise information security policy set for the State of Oregon. In accordance with EISPD Statewide Policy 107-004-052 Information Security, each agency shall develop and implement information security plans, policies and procedures that protect its information assets from the time of creation, through the useful life and through proper disposal. All plans and policies must include administrative, technical and physical safeguards to ensure the confidentiality, integrity and availability of agency information assets. In addition, each agency must identify, classify and manage its information assets based on the classification schema described in EISPD Statewide Policy 107-004-050 Information Asset Classification.

.111 Each agency shall physically control and protect portable and removable storage devices as well as protect and manage any sensitive information stored on them in accordance with EISPD Statewide Policy 107-004-051 Controlling Portable and Removable Storage Devices. In addition, any agency that sends, receives, or transports confidential or sensitve information to or from another agency is responsible for ensuring that the information is protected appropriately during transit from loss, destruction, or unauthorized access in accordance with EISPD Statewide Policy 107-004-100 Transporting Information Assets.

.112 Agencies must also take precautions to prevent accidental destruction of data. Control measures include the use of internal and external labels, file protection rings, boundary protection, and storing of key master files and records in safe places located away from the work site. It is recommended that copies of files kept on site be in fire-proof containers.

.113 Backup files must also be maintained. The process normally includes reading the previous file, recording transactions being processed, and then creating a new updated master file. The daily (or other interval) transactions are stored separately.

.114 Agencies are required to establish or be part of a disaster recovery plan for continuing operations in the event of destruction of not only program and data files, but also processing capability.

Application Controls

.115 <u>Input control activities</u>. Input controls are designed to provide reasonable assurance that data received for computer processing have been properly authorized and converted into machine-sensible form, and that the data have not been lost, suppressed, added, duplicated, or improperly changed. Computerized input controls include validation procedures such as check digits, record counts, hash totals and batch financial totals. Computerized edit routines include valid character tests, missing data tests, sequence tests and limit or reasonableness tests which are all designed to detect data conversion errors. Various input controls that may be imposed during data entry are described below:

a. Validity tests make sure the code entered is an existing code.

b. Check digits are created by subjecting characters of a field to an arithmetic algorithm. The algorithm yields a single digit that is then appended to the end of a field.

c. A field check verifies that data entered is of acceptable type (e.g., alphabetic, numeric, a certain number of characters, etc.).

d. A limit test checks to see that a numeric field does not exceed a specified limit.

e. A reasonableness check determines whether data in two or more fields is consistent.

f. A sequence check verifies all items in a numerical sequence are present.

g. When loop verification is used, additional information is displayed to confirm correctness or a request is made for explicit confirmation (e.g., “Are you sure you want to delete this employee record? Yes or No.”).

h. Key verification is the re-keying of critical data in the transaction followed by a comparison of the two keyings.

i. Preprinted forms and preformatted screens reduce the likelihood of data entry errors by organizing input data in a logical manner and by using default values whenever possible.

j. Automated data capture eliminates manual data entry by using automated techniques (e.g., scanners).

k. Checkpoint/restart is a processing control whereby a periodic snapshot of all data files is taken. If a system failure occurs, only transactions occurring since the last checkpoint need to be processed.

.116 Processing control activities. Processing controls are designed to provide reasonable assurance that data processing has been performed as intended without any omission or double-counting. Many processing controls are the same as input controls, but they are used during the actual processing phases. These controls include run-to-run totals, control total reports, file and operator controls, such as external and internal labels, system logs of computer operations, and limit or reasonableness tests.

.117 Output control activities. Output controls are designed to provide reasonable assurance that processing results are accurate and distributed to authorize personnel only. Control totals produced as output during processing must be compared/reconciled to input and run-to-run control totals produced during processing. Computer-generated change reports for master files must be compared to original source documents for assurance that data is correct. The following control reports assist in ensuring accuracy and completeness of data processing:

a. Processing reports list all the transactions used to update master files.

b. Error listings report all transactions and/or batches that failed one or more input controls.

c. Application reports are formal, formatted, regularly scheduled reports, usually created by programmers for use by end-users.

d. Ad hoc reports are informal, one-time only reports used to furnish specific information requests. Ad hoc reports are generally limited to database environments and are obtained through query of the system.

.118 The external control group shall receive all data, ensure it is recorded, follow up on errors that occur during processing and verify the proper distribution of output. A list of authorized recipients and a log of report distributions must be maintained. End-user controls supplement the information systems organization controls by performing redundant checks of processing totals and reconciling the results to independently maintained records.

Automated Interfaces Linking Agency Financial Systems to SFMA

.119 Agencies that interface financial data from their own systems into the Statewide Financial Management Application (SFMA), which includes both R*STARS and ADPICS, are responsible for ensuring the transmitted data is timely, accurate, and complete. New interfaces and changes to existing interfaces are reviewed and approved by the Statewide Financial Management Services (SFMS) Analysis and Development (A&D) unit. Interfaces to SFMA are subject to testing and acceptance requirements as specified by the A&D unit.

.120 Approval to establish and continue using an automated interface also depends on an agency's ability to reconcile data maintained in its internal financial system to data interfaced and posted in SFMA. Agencies are responsible to perform reconciliation procedures as often as data is interfaced and at a level of detail sufficient to ensure all data was transmitted timely, accurately and completely. Each agency head is responsible for ensuring that any discrepancy between an agency's database and the official financial records in SFMA is promptly and appropriately resolved. When changes to SFMA are made, agencies are responsible to modify their interfaces to adapt to such changes. SFMS is responsible for timely notifying agencies of any changes to SFMA that may impact agency interfaces.

.121 State agencies that transmit data to SFMA are responsible for establishing and monitoring the security of their automated interfaces and ensuring the integrity of the data that is transmitted. These same requirements also apply to entities that host agency applications and control the storage and transmission of data between agency applications and SFMA. In order to protect the data integrity of SFMA, the State Controller's Division reserves the right to suspend or terminate agency interfaces, or take other remedial actions at the cost of the agency, if the agency does not correct interface errors or appropriately modify interfaces in a timely manner.

Automated Interfaces Linking Agency Time and Attendance Systems to OSPA

.122 Agencies that interface time and attendance data from their own systems into OSPA are responsible for ensuring the transmitted data is timely, accurate and complete. New interfaces and changes to existing interfaces are reviewed and approved by Oregon Statewide Payroll Services (OSPS). Interfaces are subject to testing and acceptance requirements prior to approval.

.123 The approval to establish and continue using an automated interface to transmit time and attendance data also depends upon an agency's ability to reconcile data maintained in its own time and attendance system to data and hours paid posted to OSPA. Agencies must perform reconciliations as often as data is interfaced and at a level of detail sufficient to ensure all data was transferred timely, accurately, completely and for the correct pay period. Each agency head is responsible for ensuring that time reporting discrepancies are promptly and appropriately resolved.

.124 When changes to OSPA are made that necessitate changes to the time and attendance interfaces, agencies are responsible for modifying their interfaces to adapt to such changes. OSPS is responsible for timely notifying agencies of any changes that might impact agency interfaces.

.125 State agencies that transmit data to OSPA are responsible for establishing and monitoring the security of their automated interfaces and ensuring the integrity of the data that is transmitted. These same requirements also apply to entities that host agency applications and control the storage and transmission of data between agency applications and OSPA. In order to protect the data integrity of OSPA, the State Controller's Division reserves the right to suspend or terminate agency interfaces, or take other remedial actions at the cost of the agency, if the agency does not correct interface errors or appropriately modify interfaces in a timely manner.

Third Party Service Organizations

.126 When IT services for financial and accounting processes are outsourced to a third party service organization, state agencies must determine whether a written service level agreement (SLA) needs to be established. The purpose of an SLA is to define expectations and responsibilities based on the agency's requirements and IT capabilities. Important areas in which roles and responsibilities may need to be formalized include security and confidentiality, program change control, availability, reliability, performance and processing requirements, support, capacity for growth, and backup and disaster recovery.

.127 Other important areas to consider when outsourcing IT include:

a. Agreement regarding the level of logical access contractors or other third party providers will have to system programming or data. While certain access to the application and data may be necessary for operational purposes, unrestricted access or access not known to the agency poses a risk to the integrity and confidentiality of the data and the system.

b. How the service provider will restrict access to system logs.

c. Agreement regarding how security violation reporting and follow-up will occur, including when incidents will be reported, who will be notified, who will conduct investigations, and who will be responsible for resolving security incidents or breaches.

d. Provisions to ensure that application source code and other critical system documentation is properly maintained in escrow to allow for continued operations if the provider prematurely discontinues its operations or experiences an unexpected disruption of service.

.128 Another important consideration centers on independent audit assurance. Any time a service organization hosts or processes data belonging to an agency, the agency must determine whether a provision is needed in the contract that requires the service organization to demonstrate that it has adequate controls and safeguards. This may be accomplished by requiring the service organization to undergo an annual audit conducted by the agency or its designees.

.129 Alternatively, the service organization may already be subject to an annual audit that would satisfy the requirement. *Statement of Auditing Standards (SAS) No. 70, Service Organizations*, provides guidance to enable an independent auditor to issue an opinion on a service organization's internal controls, including controls over IT and related processes. A formal report known as a Service Auditor's Report, which also includes the auditor's opinion, is issued to the service organization at the conclusion of the SAS 70 examination. The service organization then makes this report available to its customers who, in turn, provide it to their auditors (such as Secretary of State, Audits Division) for use in planning the audit of the financial statements.

.130 There are two types of SAS 70 Service Auditor's Reports. A Type I report contains the service organization's description of controls at a specific point in time. A Type II report not only includes the service organization's description of controls, but also includes detailed testing of the controls over the period specified. State agencies that pursue a SAS 70 examination need to request a Type II report.

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Authority **ORS 291.015**
ORS 291.038
ORS 293.595

.101 The Oregon Department of Administrative Services (DAS), State Controller's Division will review all proposed development, acquisitions, or modifications of fiscal systems. For purposes of this policy, fiscal systems are defined to include subsidiary systems that interface into statewide systems which are used to record transactions related to revenues, expenditures, assets and liabilities; to record or control non-capital or capital assets; or to record or produce vouchers, checks, purchase orders, or invoices. Statewide systems managed by the State Controller's Division include the Statewide Financial Management Application (SFMA) and the Oregon State Payroll Application (OSPA).

.102 Because of the cost to develop a fiscal system and the requirement for data processing support, the State Controller's Division, in conjunction with the DAS Information Resources Management Division (IRMD), will review all proposals to determine:

a. The need for purchasing, modifying, or developing a new system or a system that will interface to SFMA or OSPA.

b. Whether or not the proposed system duplicates the functionality of an existing statewide system.

c. The availability of data processing support.

d. The advisability of using or modifying an available system.

e. Uniformity with other state systems.

f. Adequacy of controls and audit trail.

The decision to approve or disapprove the request will be made based on the above determinations. The State Controller's Division will retain formal documentation of the decisions made and will provide a copy of such documentation to the Secretary of State Audits Division for their information.

OREGON ACCOUNTING MANUAL			Number 10.65.00.PR
Oregon Department of Administrative Services State Controller's Division		**Procedure**	Effective Date July 29, 2003
Chapter	**Internal Control**		.1 OF .1
Part	**Approval of Proposed Fiscal Systems**		
Section			Approval Signature on file at SCD

Request and Approval Process

.101 Any request for purchasing, designing, developing, or modifying a fiscal system must be submitted to the State Controller's Division. The request should identify the need and include a cost benefit analysis. It must be submitted and approved prior to any commitment by an agency for procurement or before any work is done by the agency's own data processing personnel.

.102 The Chief Financial Office (CFO) will either provide preliminary approval or will disallow the agency request. The SCD may also suggest modifications to the request.

.103 Once the agency has received preliminary approval from CFO, it should submit the documentation for approval to the DAS Information Resources Management Division (IRMD) with a request for a cost estimate. IRMD will confirm the preliminary approval with CFO.

.104 After receiving IRMD's cost estimate, the Chief Financial Office is to determine the feasibility of the proposal and review the findings with IRMD. CFO will then notify the agency, by letter, whether the request is being approved or disallowed, or whether modifications are necessary.

.105 Information Technology (IT) projects for fiscal systems are major expenditures other than routine maintenance. Agencies must provide a detailed description of IT projects for fiscal systems in their base budgets on budget form 107BF14. A copy of the completed form must be provided to CFO and to the IRMD analyst (in addition to being included in the budget document) when the agency request document is submitted. (Refer to Budget and Policy budget instructions at http://www.oregon.gov/das/Financial/Pages/Budgetinstruct.aspx.)

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	**Number:**	10.70.00
Division:	Chief Financial Office	**Effective date:**	June 14, 2017
Chapter:	Internal Control		
Part:	Security Access to Central Financial Systems		
Approved:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy outlines the process and assigns responsibilities for requesting security access to the state's central financial systems.

AUTHORITY:
ORS 291.015
ORS 293.595
Statewide IT Policy 107-004-050
Statewide IT Policy 107-004-052

APPLICABILITY: This policy applies to all entities that access the statewide financial systems.

FORMS: Systems Security Access Request Forms

POLICY:

101. Agency management must develop control procedures that ensure the systems access granted to each user is appropriate and consistent with the user's job duties.

102. The Chief Financial Office, Statewide Accounting and Reporting Services (SARS), Systems Security team manages security access for the following central financial systems:

a. SFMA (Statewide Financial Management Application). This mainframe application includes:

- R*STARS (Relational Statewide Accounting and Reporting System)
- ADPICS (Advanced Purchasing and Inventory Control System)

b. OSPA (Oregon State Payroll Application) – a mainframe application.

c. The Datamart – a system that houses tables of data downloaded from:

- SFMA (R*STARS, ADPICS)
- OSPA
- PPDB (Position and Personnel Database)
- PICS (Position Information Control System)

Access to PPDB and PICS is addressed in paragraphs 120 and 121 of this policy.

103. The SARS financial systems security officers (SSO) validate agencies' requests for systems access, provide training to ASOs, conduct semi-annual security reviews, and participate in the Secretary of State's annual audit of the financial systems.

104. Systems access must be set at the minimum level needed for the user to perform assigned job duties.

105. *At a minimum*, each agency should designate two Agency Security Officers (ASO) for each financial system the agency uses – one to serve as the primary security officer and one to serve as the backup. Each ASO is expected to understand how the financial system(s) operates, be familiar with the security access screens (including profiles), and have the ability to verify user access

106. To designate a new ASO, or change/revoke existing authority, the agency CFO (or designate) completes and submits the ***Agency Security Officer Notification Form*** to the Systems Security team within one business day of the change event.

107. ASOs must:

- Review, approve, and process all valid requests submitted by agency management to add, modify, or revoke a user's access to the central financial systems.
- Actively participate in the statewide semi-annual security reviews.
- Attend statewide security training provided every two years by the Systems Security team.
- ASOs may **not** submit security requests for their own access.

108. ASOs must document all requests received from agency management to add, modify, or revoke a user's access. Maintain all security documentation for audit purposes a minimum of three years.

109. Upon the complete fulfillment of a personnel action -- related to the departure or position change of an employee -- within PPDB, the employee's access to the systems covered by this OAM are automatically revoked in an overnight process. However, if the agency determines that an employee's access needs to be modified or revoked, and it will not result in the **immediate and complete** fulfillment of a personnel action as described above, the agency must notify the ASO within two weeks of that determination. In turn, the ASO will have one business day, starting from their notification by the agency, to notify the Systems Security team via email at security.systems@oregon.gov to modify or revoke the employee's access, as applicable.

Each agency is responsible for developing procedures to notify their ASO timely of a need to revoke a user's access that is not related to the immediate and complete fulfillment of a personnel action as described above.

110. All systems security request forms must be submitted electronically to the Systems Security team by the ASO authorizing the add/modify/revoke.

111. **Users must not allow other individuals to use their passwords or RACF ID.** The Systems Security team will immediately revoke access to all central financial systems for each person involved in a security violation. Agencies are responsible for taking corrective actions, including disciplinary measures, and must contact the Systems Security team via email at security.systems@oregon.gov for reinstatement requirements and instructions.

PROCEDURES

Requests for Standard Access to SFMA and OSPA

112. The ASO reviews each written request for user access received from management to ensure the request is consistent with the user's position and assigned job duties. The written request for access is the beginning of the security audit trail.

113. If the ASO has a security concern, the ASO notifies the user's manager and suspends processing until the concern is resolved.

114. Once the concern is resolved, the ASO continues processing the request. The ASO completes the ***SFMA and OSPA – Mainframe Access*** request form located on the SARS Systems Security website:

    http://www.oregon.gov/das/Financial/Acctng/Pages/Syst-security.aspx

    When completing the form, the ASO must provide the following information for each user:

    - Full name of the individual as shown in the PPDB
    - The user's RACF ID
    - Agency number
    - The user's active email address and phone number
    - The desired action: Add, Modify, or Revoke
    - The system(s) requested – by completing the applicable section(s) of the form
    - A brief explanation of job duties that require the specific access requested for each system. (Example 'to process payments received from vendors')

115. The ASO signs the form electronically, enters the current date, and uses the 'submit by email' button provided to submit the form to Systems Security.

116. The Systems Security team will deny access if any required information is missing or not active. Requests are processed when received; early submissions and incomplete forms will be returned to the ASO for correction and resubmission.

Requests for Special View Access to SFMA (R*STARS only)

117. Access requests for statewide user classes (UC) require additional security documentation. Scan and email completed request forms to the Systems Security team at security.systems@oregon.gov. The original hardcopy is to be maintained by the agency.

    - Statewide user classes 01-10, 36, 38, 39, 46, 50, 59, 65, 70, and 79-81 are restricted to SFMA analysts, SARS analysts and Secretary of State Auditors. The requesting agency's Division Administrator must authorize the access request. These user classes may not be active if the employee is in telework status. Email the Systems Security team to obtain the ***Statewide User Class Access*** request form. This form is not available on the SARS website.
    - UC 78 allows the user to view all agencies' transaction records, including data classified as restricted and critical. Senior fiscal officers and ASOs must ensure that UC 78 requests are based on valid needs and that the level of access is consistent with each user's job duties. Completion of the ***User Class 78 - All Agency View Access*** form is required.

Requests for Datamart Access

118. **Datamart Standard Access**: The ASO completes and submits the required ***Datamart Standard View Access - SFMA and OSPA Tables*** request form for access. Upon activation, SFMA Datamart information is accessible even if OSPA Datamart is the only table requested.

119. **Datamart Special View Access:** Security level 3 (restricted) and level 4 (critical) data are not included in the standard Datamart view. The ASO must work with the agency's senior fiscal officer to ensure that each request to view sensitive data is consistent with the user's position and assigned job duties.

Datamart Standard View access must be activated before a special view is requested. Completion of the ***Datamart Special View Access*** form is required.

120. **PPDB Standard View Access:** The Department of Administrative Services (DAS), Chief Human Resources Office, HR Systems Section manages access to the PPDB system and the related tables in the Datamart.

Contact PPDB Security at Group.PPDB@oregon.gov for assistance.

121. **ORBITS/PICS Standard View access:** The DAS, Chief Financial Office, Statewide Audit and Budget Reporting Section (SABRS) manages access to ORBITS and PICS and the related tables in the Datamart.

Contact the SABRS unit at ORBITS.Help@oregon.gov for assistance.

OSPA Only – Terminal Access and Web Reports

122. ASOs must specifically identify the computer terminals used for OSPA mainframe access and the level of access allowed.

123. ASOs submit email requests to add or delete OSPA terminals not linked to a specific employee's activation to security.systems@oregon.gov. The notification must include:

- Four-digit terminal identification number
- Agency number
- Type of access: 'U' for update, 'D' for display
- Report printer identification (if applicable)
- Description of the terminal location

124. The DAS, Oregon State Payroll Services (OSPS) unit manages access to the OSPA web reports.

Contact the OSPS Help Desk at OSPS.Help@oregon.gov for assistance.

Requests to Change or Reset Mainframe Passwords

125. When a RACF ID revokes for password issues, only the user can request reactivation. The RACF ID user emails DAS Enterprise Technology Services directly at DAS.RacfUserAdm@oregon.gov.

The request must include the following information:

- Full name of the individual as shown in the PPDB
- The user's RACF ID
- Indication that the request applies to the mainframe system
- Request a "resume" when the password is known but was entered incorrectly
- Request a "reset" when the password was forgotten or has expired

126. DAS Enterprise Technology Services verifies ownership of the RACF ID and sends a temporary password directly to the user.

127. Web-to-Host mainframe users manage their passwords by accessing the Customer Information Control System (CICS) website:

https://columbia.das.state.or.us:3025/cics/wtst/daswpscp/ .

Requests to Change or Reset Datamart Passwords

128. Datamart users may change passwords or request a password reset. Follow the instructions located on the Datamart User Maintenance Site:

https://dasapp.state.or.us/DatamartApp .

Security Reviews and Training

129. Semi-annual statewide security reviews are conducted electronically beginning in February and August of each year. The SSO first verifies ASO assignments with each agency's CFO or designate.

The assigned ASO receives system-specific reports for review and analysis along with verification forms. The ASO verifies the correctness of the access granted to the agency's users and checks with the users' managers to determine if the level of access is still appropriate.

The ASO completes the verification form for each report by signing, dating, and recording any security changes to existing access. The ASO must return all verification forms to the SSO by the specified due date. Agencies should retain copies of the access reports for reference purposes.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL	
SUBJECT: Accounting and Financial Reporting	**Number:** 10.75.00
DIVISION: State Controller's Division	**Effective date**: October 1, 2010
Chapter: Internal Control	
Part: ACH Security	
APPROVED: John Radford, State Controller	Signature on file at SCD

PURPOSE: This policy emphasizes the commitment of the Department of Administrative Services to protect the confidentiality, integrity and availability of vendors' banking information. It outlines the responsibilities of Statewide Financial Management Services (SFMS) and Oregon Statewide Payroll Services (OSPS), units of the State Controller's Division, the Information Systems and Services (IS&S) unit of the Operations Division, and the State Data Center (SDC).

AUTHORITY:
ORS 291.015
ORS 291.100
ORS 292.018
ORS 292.026
ORS 292.034
ORS 292.042 –292.067
ORS 292.346
ORS 293.348

APPLICABILITY: Employees of SFMS, OSPS, IS&S and the SDC.

DEFINITION: **Automated Clearing House (ACH):** A computerized facility that performs the clearing of paperless entries between member depository institutions. It is a batch process system that is destine for future settlement of transactions. The ACH will take the transaction information and store it until necessary for payment to occur on the settlement date.

POLICY:

101. ACH security awareness is the responsibility of senior management. SFMS, OSPS, IS&S and the SDC are responsible for this security with respect to their roles in handling and storing the ACH information related to state disbursements. Ultimately, every user has a responsibility to safeguard the ACH information to which they have access.

102. Management must ensure that the agency protects ACH information appropriately based on the sensitivity of the information.

103. Management must ensure that every employee under their direct supervision who has access to ACH information is aware of this policy.

104. Management must provide appropriate training and ensure that only employees with ACH duties have access to banking information. Management must implement internal safeguards to hold users accountable for their actions. See Information Security Statewide Policy #107-004-052.

PROCEDURES:

105. SFMS employees must develop policies and procedures to ensure that the classification, labeling and handling of documents that contain personally identifiable banking information are kept secure at all times. This includes the Direct Deposit Authorization Form, Statewide Financial Management Application (SFMA) control reports, screen prints of vendor profiles and any other communication, including electronic communication that may contain sensitive information. Currently, e-mail is not secure but the SFMS fax machine is.

    a. SFMS employees must provide IT staff with direction on appropriate asset classification levels, including special handling during disposal of electronic files. All ACH data is asset classification level 4.

    b. SFMS employees must perform an annual ACH risk assessment and deliver this assessment to Treasury by December 31.

    c. SFMS employees must develop and test an ACH incident response policy.

106. OSPS employees must develop policies and procedures to ensure that the classification, labeling and handling of documents that contain personally identifiable banking information are kept secure at all times. This includes direct deposit authorizations, Oregon Statewide Payroll Application (OSPA) reports, table-change documentation, screen prints and any other communication, including electronic communication that may contain sensitive information. Currently, e-mail is not secure but the OSPS fax machine is.

    a. OSPS employees must provide IT staff with direction on appropriate asset classification levels, including special handling during disposal of electronic files. All ACH data is asset classification level 4.

    b. OSPS employees must perform an annual ACH risk assessment and deliver this assessment to Treasury by December 31.

    c. OSPS employees must develop and test an ACH incident response policy.

107. IS&S employees must develop policies and procedures to ensure that SFMA and OSPA electronic data files that contain personally identifiable banking information are not inappropriately accessed and are not altered without approval from SFMS or OSPS management. When available, management must ensure that audit trails and intrusion-detection reports are reviewed on a regular basis.

108. SDC employees must develop policies and procedures to ensure that the electronic data files that contain personally identifiable banking information stored on the SDC's mainframe are secure from internal and external threats. SDC employees are responsible for following SFMS and OSPS' guidance on data classification levels related to data storage and deletion. See Information Asset Classification Statewide Policy #107-004-050. SDC is responsible for preventing the threat and risk of data intrusion from outside sources

109. See additional statewide policies published by the Enterprise Security Office at http://www.oregon.gov/DAS/OSCIO/Pages/Security.aspx .

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Authority **ORS 291.015**
ORS 291.026
ORS 291.040
ORS 293.515
ORS 293.590

Auditor Understanding of Internal Control

.101 The Secretary of State, Audits Division, is the constitutional auditor of public accounts in Oregon. The Audits Division conducts a statewide single audit annually, and performs other audits and reviews at its discretion. The audits are performed in conformance with generally accepted government auditing standards.

.102 Generally accepted auditing standards require that the independent auditor study and evaluate the existing system of internal control as a basis for reliance thereon to determine the nature, timing, and extent of tests to be performed. Findings and judgments resulting from the auditor's study of internal control affect the overall audit plan including judgments about staffing, extent of supervision, conduct and scope of the audit, and degree of professional skepticism applied.

.103 Internal auditors provide assistance to independent auditors by documenting existing systems and controls, recommending appropriate corrective actions, and assuring recommendations are implemented as planned. The Audits Division may rely upon the work of internal auditors in certain circumstances.

Federal Compliance

.104 Agency management is required to identify laws and regulations pertaining to compliance requirements. Agencies should establish internal controls to ensure compliance with those laws and regulations applicable to federal assistance.

Financial Statement Compliance

.105 Agency management is required to establish internal controls to ensure compliance with laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts.

Entrance and Exit Conferences

.106 **Agency heads** or their designees must attend the audit entrance and exit conferences.

Agency Responsibility to Respond to Audit Findings

.107 For all audits conducted by, or under the auspices of, the Audits Division, agency management is responsible to respond to audit findings and ensure proper resolution.

Audit Sanctions

.108 ORS 293.515 allows the Secretary of State to certify to the Governor the failure of State officials or employees to comply with significant recommendations in audit reports.

a. The Governor may or may not order compliance with the audit recommendations.

b. The Governor may order withholding of salaries in order to obtain compliance with orders issued.

Statewide Single Audit

.101 Single audits have three layers of audit standards with different reporting requirements.

a. **Generally Accepted Auditing Standards** (GAAS)

(1) An opinion is made on the financial statements and supplementary **schedule of expenditures of federal awards** (SEFA).

(2) A report on internal control is made only if reportable conditions are discovered. Oral reporting is acceptable.

b. **Generally Accepted Government Auditing Standards** (GAGAS)

(1) An opinion is made on the financial statements and the schedule of expenditures of federal awards.

(2) A report on compliance and on internal control over financial reporting is made based on the financial statements.

(3) A report on internal control is required in every financial statement audit and must be in writing.

c. Federal Office of Management and Budget **(OMB) Circular A-133**

(1) An opinion is made on the financial statements and the supplementary schedule of expenditures of federal awards.

(2) A report on compliance and on internal control over financial reporting is made based on the audit of financial statements.

(3) A report on compliance and on internal control over compliance applicable to each major program (as defined in circular A-133) is made, including an opinion on compliance.

(4) A schedule of findings and questioned costs is required. ("Questioned costs" are expenditures deemed to be non-allowable for reimbursement under a federal grant.)

(5) A report on internal control is required in every financial statement audit and must be in writing.

.102 The State and its agencies are responsible to comply with the provisions of the **Single Audit Act**, as amended, to ensure that the State continues to be eligible to receive federal funding. See **OAM 30 10 00** on federal compliance.

.103 Within 180 days of the fiscal year ended June 30, Statewide Accounting and Reporting Services will issue a **Comprehensive Annual Financial Report (CAFR)**. The CAFR will include an audit opinion as to whether the State has presented fairly its financial position and the results of its financial operations in accordance with generally accepted accounting principles. The Audits Division will conduct the Statewide Single Audit.

.104 The State and its agencies are generally subject to a variety of laws and regulations that affect the Comprehensive Annual Financial Report and agency financial statements. Such laws and regulations may address fund structure, required procurement, debt limitations, and legal authority for transactions.

a. Management responsibilities are to:

(1) Identify applicable laws and regulations with compliance requirements.

(2) Establish internal controls to provide reasonable assurance that the entity complies with those laws and regulations.

(3) Prepare supplementary financial reports, including a schedule of expenditures of federal awards.

b. Auditor responsibilities are to:

(1) Obtain reasonable assurance that the financial statements are free of material misstatements resulting from violations of laws and regulations that have a direct and material effect on the determination of financial statement amounts.

(2) Obtain an understanding of the possible effects on financial statements of laws and regulations that are generally recognized by auditors to have a direct and material effect on the determination of amounts in the entity's financial statements.

(3) Assess whether management has identified laws and regulations that have a direct and material effect on the determination of amounts in the entity's financial statements.

(4) Obtain an understanding of the possible effects on the financial statements of the laws and regulations identified by management.

Performance Audits

.105 Performance audits such as economy and efficiency audits determine whether the entity makes efficient use of resources. The audits determine the following:

a. Whether the agency is acquiring, protecting, and using its resources economically and efficiently.

b. The causes of inefficiencies or uneconomical practices.

c. Whether the agency has complied with laws and regulations on matters of economy and efficiency.

.106 Program audits, another example of performance audits, determine the effectiveness and measure the achievement of a program. The audits determine the following:

a. The extent to which the desired results or benefits established by the authorizing body are being achieved.

b. The effectiveness of agencies, programs, activities, or functions.

c. Whether the agency has complied with laws and regulations applicable to the program.

Responding to Audit Findings

.107 Agencies are responsible for assuring the adequacy, effectiveness, and timeliness of actions taken with respect to reported audit findings, both from internal auditors and from the Audits Division.

.108 For those agencies without internal audit functions, the State Controller's Division, subject to resource availability, may follow up to verify progress on resolution of audit findings.

OREGON ACCOUNTING MANUAL		Number 10.90.00
Oregon Department of Administrative Services State Controller's Division	**Policy**	Effective Date July 16, 2001
Chapter	**Internal Control**	.1 OF .3
Part	**Approval of Agency Head Transactions**	
Section		Approval Signature on file at SCD

Accountability and Control Standards

.101 This policy sets accountability and control standards for the determination and delegation of review and approval authority for the agency head's monthly time report, requests for vacation payoff, use of exceptional performance leave, travel expense reimbursement claims, and Small Purchase Order Transaction System (SPOTS) card purchases. This policy is intended to ensure that these transactions are reviewed for completeness and accuracy and that they are in conformance with and measured against the documentation and compliance standards provided herein. In the case of agency heads that are elected, this policy may be applied at the option of that elected official.

Establishing Review and Approval Authority

.102 Agency heads appointed by the Governor shall delegate review and approval authority for agency head financial transactions to the chief financial officer or to the person who holds the position of second-in-command to the agency head. The delegation shall be in writing.

Agency heads appointed by or reporting to a board or commission shall work with that body to create a review and approval structure for financial transactions of the agency head. The board or commission may delegate the review and approval authority, by direct designation or motion, in writing, to the board or commission chair or ranking officer. Or, the board or commission may delegate to the agency second-in-command, chief financial officer, or may choose to retain an active role in the approval process. Boards and commissions choosing to take an active role in the review and approval process must make the review and approvals of financial transactions a part of their regular meetings and document them in the minutes.

Boards and commissions delegating the review and approval process must at least annually review the financial transactions of the agency head approved as delegated. These post transaction reviews and approvals must be documented in the minutes of the board or commission annual meeting.

Requirement for Internal Procedure and Review

.103 This policy requires agencies to develop internal procedures for the review and approval of the following agency head transactions:

(a) Time reporting: Review and approve the agency head's monthly report of sick leave, vacation, holiday or other leave hours used. Review for completeness and accuracy and to ensure that all time that has been taken has been reported. Ensure that leave hours comply with HRSD 60.000.01 Sick Leave, 60.000.05 Vacation Leave, 60.010.01 Holidays, 60.000.15 Family Medical Leave, 60.005.01 Leave Without Pay and 60.000.10

Special Leaves with Pay. Time reporting (leave usage) must be documented using either paper or electronic timekeeping methods. The documentation must show that the time reports have been reviewed and approved by the appropriate authority, which, in the case of a board or commission, may be the ranking officer of the board. Note: Heads of agencies are classified as exempt from the Fair Labor Standards Act (FLSA) and as such should not be required to report actual hours worked. The time reporting review is intended to focus only on hours related to the categories defined above. The documentation must provide evidence for an audit trail and must be maintained by the agency for the prescribed IRS retention schedule for time records of three years and one quarter as well as the current record retention standards per Secretary of State, Archives Division.

(b) Travel expense reimbursements: Review and approve all travel claims submitted by the agency head, whether for in-state or out-of-state travel. Ensure compliance with DAS Travel Rules **OAM 40.10.00** as well as **OAM 10.40.00**, Expenditures. The review and approval of travel transactions must be documented to provide an audit trail and evidence that the review complies with and was conducted in accordance with the prevailing state policies as listed.

(c) Exceptional Performance Leave: This leave shall be granted to agency heads using the criteria set forth in HRSD 60.000.10 "Special Leaves With Pay". For agency heads appointed by the Governor, this leave shall only be granted by the Governor or by the Director of the Department of Administrative Services on behalf of the Governor. For agency heads reporting to a board or commission, this leave shall be granted by that body or by the board or commission chair and documented in the minutes of the board or commission. The review and approval responsibility is to ensure that the Exceptional Performance leave was granted based on appropriate criteria and authority and is in compliance with HRSD policy 60.000.10. The review and approval of these transactions must be documented to provide an audit trail and evidence that the review complies with and was conducted in accordance with the prevailing state policies as listed. The documentation must clearly demonstrate the criteria upon which the leave was granted. The documentation must include copies of the written request and approval granting the leave and copies of the board or commission minutes, if applicable. The documentation must be retained according to the current record retention standards per Secretary of State, Archives Division.

(d) Vacation Payoff: Review and approve ensuring compliance with HRSD policy 60 000.05 "Vacation Leave". The review and approval of these transactions must be documented to provide an audit trail and evidence that the review complies with and was conducted in accordance with HRSD 60.000.05. That review must clearly demonstrate that the vacation payoff was approved in accordance with Section (6)(b) of that policy which mandates that a vacation payoff is only granted when taking vacation leave is not appropriate. Copies of the written request and approval granting the vacation payoff and copies of the board or commission minutes, if applicable, must be part of the documentation for these transactions.

(e) Use of the Small Purchase Order Transaction System (SPOTS) purchase card: Review purchases to ensure that they are appropriate expenditures that further the business of the state and the mission of the agency and that the use of the SPOTS card complies with **OAM 55.30.00**. The review must be conducted by someone other than the person whose name appears on the card. The review and approval of transactions must be documented to provide an audit trail and evidence that the review complies with and was conducted in accordance with the prevailing state policies as listed.

The documentation for all of the above should be retained according to the current record retention standards per Secretary of State, Archives Division.

Fiscal Officer Responsibility

.104 Agency fiscal officers processing these financial transactions for the agency head have a duty to pre-audit and verify that the transactions comply with this policy.

Seeking Guidance from Chief Financial Office

.105 For the purposes of this policy, those persons delegated to review and approve financial transactions for state agency heads have a duty to comply with the provisions of this policy. Any agency head requests to deviate from this policy must be approved by the Chief Financial Officer. Those persons delegated review and approval authority that have reservations or questions about an agency head financial transaction may seek guidance from the Chief Financial Office.

Transactions Subject to Audit

.106 All financial transactions of state agency heads are subject to periodic audit by the Secretary of State Audits Division.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL	
SUBJECT: Accounting and Reporting **DIVISION:** Chief Financial Office	**Number:** 15.05.00 **Effective date**: February 13, 2017
Chapter: Accounting and Financial Reporting **Part:** GAAP Hierarchy **Section:**	
APPROVED: George Naughton, Chief Financial Officer	Signature on file

PURPOSE: The purpose of this policy is to identify the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements presented in conformity with generally accepted accounting principles (GAAP).

AUTHORITY: **ORS 293.590**
GASB Statement No. 76

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 accounting and reporting of agency operations in accordance with GAAP.

102. The GAAP Hierarchy sets forth what constitutes GAAP for all state and local government entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply.

103. The sources of authoritative GAAP are categorized in descending order of authority as follows:

   a. Officially established accounting principles - Governmental Accounting Standards Board (GASB) Statements (Category A)

   b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by GASB (Category B)

   Authoritative GAAP is incorporated periodically into the *Codification of Governmental Accounting and Financial Reporting Standards* (Codification), and when presented in the Codification, it retains its authoritative status.

104. If the accounting treatment for a transaction or other event is not specified by a pronouncement in Category A, consider whether the accounting treatment is specified by a source in Category B.

105. If the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP described in paragraph 103, first consider accounting principles for similar transactions or other events within a source of authoritative GAAP described in paragraph 103 and then one may consider nonauthoritative accounting literature from other sources, as identified in paragraph 106, that does not conflict with or contradict authoritative GAAP. Do not apply accounting principles specified in authoritative GAAP described in paragraph 103 to similar transactions or other events if those accounting principles either (a) prohibit the application of the accounting treatment to the particular transaction or other event or (b) indicate that the accounting treatment should not be applied by analogy.

106. Sources of nonauthoritative accounting literature:
- GASB Concepts Statements
- The pronouncements and other literature of the Financial Accounting Standards Board, Federal Accounting Standards Advisory Board, International Public Sector Accounting Standards Board, and International Accounting Standards Board, and AICPA literature not cleared by the GASB
- Practices that are widely recognized and prevalent in state and local government
- Literature of other professional associations or regulatory agencies
- Accounting textbooks, handbooks, and articles

The appropriateness of the nonauthoritative accounting literature depends on the consistency of the literature with the GASB Concepts Statements, the relevance of the literature to particular circumstances, the specificity of the literature, and the general recognition of the issuer or author as an authority.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	15.10.00
Division:	Chief Financial Office	Effective date:	June 1, 2013
Chapter:	**Accounting and Financial Reporting**		
Part:	**Cash and Cash Equivalents**		
Section:			
Approved:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy provides guidance on accounting and financial reporting for cash and cash equivalents.

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AUTHORITY:
ORS 291.040
ORS 293.590
GASB Statement No. 3
GASB Statement No. 9
GASB Statement No. 34
GASB Statement No. 40

APPLICABILITY: This policy applies to all state agencies included in the state's financial statements, except those agencies specifically exempted by **OAM 01.05.00**.

DEFINITIONS: **Cash:** Cash includes currency on hand and currency in deposits with banks or other financial institutions. Cash also includes deposits in accounts or cash management pools that have the general characteristics of demand deposit accounts, which means the State may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty.

Cash Equivalents: Cash equivalents are short-term, highly liquid investments that are both a) readily convertible to known amounts of cash and b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities[1] of three months or less meet this definition. Examples of common cash equivalents are U.S. Treasury bills, commercial paper, certificates of deposit, money market funds, and cash management pools.

[1] Original maturity means the original maturity to the State (the holder of the investment). For example, both a three-month U.S. Treasury bill and a three-year U.S. Treasury note purchased three months from maturity qualify as cash equivalents. However, a U.S. Treasury note purchased three years ago does not become a cash equivalent when its remaining term is three months.

Click here for other **definitions**.

POLICY:

101. Agency management is responsible for ensuring the proper accounting and reporting of cash and cash equivalents.

102. This policy establishes classification criteria and disclosure requirements for state agencies that report **cash and cash equivalents** for both agency and statewide accounting and financial reporting purposes.

Cash and Cash Equivalent Examples

103. The following are examples of cash and cash equivalents:

   a. Cash on hand
   b. Cash deposits in the Oregon State Treasury
   c. Cash deposits with banks, savings and loan associations, and credit unions
   d. Cash deposits in designated/restricted, agency-specific investment funds held by a trustee or custodian at a depository bank
   f. Cash deposits within certificates of participation or bond investment funds held by a trustee or custodian in a depository bank for one or more state agencies
   g. Cash deposits in commercial mortgage-security-reserve accounts
   h. Cash deposits with custodial banks, which act as agents on behalf of the Oregon Public Employees Retirement System
   i. Treasury bills, commercial paper, certificates of deposit, and money market funds
   j. The **Oregon Short-Term Fund (OSTF)**, which includes the **Local Government Investment Pool**. Note: The OSTF operates as a demand deposit account; therefore, this balance is recorded as "Cash in Treasury" in **R*STARS**. However, for financial statement note-disclosure purposes, the invested balance of the OSTF is included in the investment detail.

Restricted Cash and Cash Equivalents

104. **Restricted assets** have constraints (shown in paragraph .106 below) on the asset's use, which change the "available nature" of the asset. For example, agencies typically classify cash and cash equivalents as current assets, in which restrictions do not limit the agency's ability to use the resources to pay current liabilities. However, cash and cash equivalents set aside as part of long-term debt agreements (as required by bond indentures or COP financing agreements) are restricted cash and cash equivalents.

105. Assets are restricted when constraints placed on asset use are either:

   a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or
   b. Imposed by law through constitutional provisions or enabling legislation.

Cash and Securities Held in Trust

106. The term “restricted” is not applicable to amounts in general ledger account 0335, Savings and Time Certificates of Deposit Held in Trust and general ledger account 0330, Securities Held in Trust. These general ledger accounts are already in balance sheet class 021, Cash and Securities Held in Trust. As the titles indicate, agencies hold these amounts in trust for individuals and entities external to the State.

PROCEDURES:

Reporting Cash and Cash Equivalents

107. At year-end, reclassify restricted cash and cash equivalents held outside the State Treasury to general ledger account 0928, Cash and Cash Equivalents - Restricted. In the first month of the new fiscal year, reverse these reclassifications.

108. For restricted cash and cash equivalents that are in the State Treasury, complete a year-end disclosure form to indicate the amount. Restricted cash should remain classified under general ledger account 0070, Cash in State Treasury, to ensure proper cash control. Statewide Accounting and Reporting Services (SARS) will reclassify these amounts to restricted cash and cash equivalents during the compilation process.

109. The following general ledger accounts report cash and cash equivalents, including deposits held in trust. See **OAM 60.10.00** for definitions of each general ledger account.

a. 0065 Unreconciled Deposit

b. 0070 Cash on Deposit with Treasurer

c. 0072 Cash on Hand

d. 0075 Cash on Deposit - Suspense Account at Treasury

e. 0077 Cash in Bank

f. 0080 Cash with Fiscal Agents - Restricted Current

g. 0081 Cash with Fiscal Agents - Unrestricted

h. 0085 Cash Equivalent

i. 0335 Savings and TCD Held in Trust

j. 0928 Cash and Cash Equivalents - Restricted

Disclosure Requirements

110. Generally, accepted accounting principles require the disclosures listed below to be included in the **Comprehensive Annual Financial Report**. Complete year-end disclosure forms to provide SARS with disclosure information related to deposits. Agencies that issue separately audited financial statements also include these disclosures in their notes, as applicable.

a. Significant violations of legal or contractual provisions for deposits

b. The bank balance of deposits exposed to **custodial credit risk**

c. The restriction purposes for deposits

d. The U.S. dollar balances of deposits exposed to **foreign currency risk**, organized by currency denomination

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	15.15.00
Division:	Chief Financial Office	Effective date:	May 1, 2013
Chapter:	**Accounting and Financial Reporting**		
Part:	**Investments**		
Section:			
Approved:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy provides guidance on accounting and financial reporting for investments.

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AUTHORITY:
ORS 291.040
ORS 293.590
GASB Statement No. 3
GASB Statement No. 31
GASB Statement No. 34
GASB Statement No. 40
Accounting Research Bulletin No. 43

APPLICABILITY: This policy applies to all state agencies included in the State's financial statements, except those agencies specifically exempted by **OAM 01.05.00**.

DEFINITIONS:

Current investments: Investments the agency could liquidate to meet current obligations and for which a readily available market exists.

Non-current investments: Investments the agency cannot liquidate to meet current obligations because a readily available market does not exist.

Restricted investments: Investments with externally imposed constraints on their use placed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

POLICY:

101. Agency management is responsible for ensuring the proper accounting and reporting of investments.

102. This policy establishes classification criteria, valuation guidelines, and disclosure requirements for state agencies that report investments for both agency and statewide accounting and financial reporting purposes.

103. All investments require fair value reporting except as noted below.

104. Fair value information is available from the Office of the State Treasurer (Treasury) for investments held at Treasury and from the Budget and Management Division (BAM) of the Department of Administrative Services for investments administered by BAM.

105. In some cases, legal or contractual provisions may require reporting investments at cost or amortized cost even though the investments are subject to fair value reporting. In such cases, year-end adjustment entries will reflect the change in fair value.

106. The following are examples of investments subject to fair value reporting:

a. Money market investments and participating interest-earning investment contracts held outside of the Oregon Short-term Fund (OSTF) with remaining maturities of more than one year

b. Mutual funds

c. Debt securities

d. Equity securities, option contracts, stock warrants, and stock rights that have readily determinable fair values. Report equity securities without readily determinable fair values at estimated fair value when held by governmental external investment pools, defined benefit pension plans, and IRC Section 457 deferred compensation plans.

e. Land and other real estate held as investments by endowments (including permanent funds), governmental external investment pools, defined benefit pension plans, or IRC Section 457 deferred compensation plans.

107. The following are examples of investments not subject to fair value reporting:

a. Seized debt securities that a government holds as evidence or as a potential fine

b. Contractors' deposits of debt securities

c. Equity securities accounted for under the equity method

d. Non-participating interest-earning investment contracts unless held by endowments (including permanent funds), governmental external investment pools, defined benefit pension plans, or IRC Section 457 deferred compensation plans.

e. Equity securities (including unit investment trusts and closed-end mutual funds), option contracts, stock warrants, and stock rights that do not have readily determinable fair values.

f. Investments in joint ventures

g. Trade accounts receivable arising from sales or credit

h. Loans receivable arising from real estate lending activities

i. Receivables that do not meet the definition of a security

j. The placement of long-term securities in an irrevocable trust that meets the requirements of a legal or in-substance defeasance

k. Money market investments and participating interest-earning investment contracts held outside of the Oregon Short-term Fund (OSTF) with remaining maturities of less than one year (provided that the credit standing of the issuer or other factors does not significantly impair the fair value of those investments).

l. Short-term debt investments held in the OSTF with remaining maturities of 90 days or less

PROCEDURES:

Recording Investments at Fair Value

108. Record investments at cost or par value in the appropriate investment account and record any premiums or discounts in the investment valuation account.

109. Record investments without par values at cost, without an entry to the investment valuation account.

110. When Treasury sells an investment, remove the par value from the investment account, along with a portion of the valuation account equal to the unamortized premium or discount.

111. Record all *realized* gains and losses on the sale of investments. Record *unrealized* gains and losses as changes in the fair value of investments. Typically, agencies record the changes in the fair value of investments as the last investment entry each month.

Recording Investments at Amortized Cost

112. Procedures to account for investments using amortized cost accounting are in section **TREA.4 (R*STARS)** of the SFMS Desk Manual.

Accounting for Investments Held at Treasury

113. Treasury investment transactions interface with R*Stars as part of the deposit reconciliation process. Agencies can view these amounts on State Street's Report Center report titled *Base Equivalent Cash Statement*. Use these daily and monthly reports to post balances to the proper accounts and objects in R*Stars.

114. Use TC 140 to record the purchase and sale of investments held by Treasury. Agencies can see information on investment purchases and sales on State Street's Report Center report titled *Purchases & Sales.* Cash balances posted to GL account 0065, Unreconciled Deposit, must represent the actual amounts of cash paid or received. Use TC 190 to record *realized* gains and losses from the sale of investments and interest earned. Agencies can check gain or loss calculations against State Street's *Realized Gain Loss* report.

115. The following is an example of how to record the purchase of an investment held at Treasury:

Transaction information:

- Cost of investment: $1,050
- Par value of investment: $1,000
- Purchased interest: $25
- Total cash paid: $1,075

TC 140R: To record the par value of the investment.

DR 0240 Investments - Designated	1,000	
CR 0065 Unreconciled Deposit		1,000

TC 140R: To record the amount paid for the investment in excess of par value.

DR 0245 Investment Valuation Acct - Designated	50	
CR 0065 Unreconciled Deposit		50

TC 183R: To record accrued purchased interest.

DR 0580 Accrued Interest Purchased	25	
CR 0065 Unreconciled Deposit		25

116. The following is an example of how to record the sale of an investment held at Treasury:

Transaction information:

- Cash proceeds received: $2,015
- Par value of investment: $2,000
- Unamortized premium: $20
- Loss on sale of investment: $5

TC 140: To remove the par value of the investment sold.

DR 0065 Unreconciled Deposit	2,000	
CR 0240 Investments - Designated		2,000

TC 140: To adjust the investment valuation account for an amount equal to the unamortized premium.

DR 0065 Unreconciled Deposit	20	
CR 0245 Investment Valuation Acct - Designated		20

TC 190R: To record a loss on sale of the investment.

DR 3100 Rev Ctrl - Cash (CO 2341 Incr/Dcr from Sale of Invest)	5	
CR 0065 Unreconciled Deposit		5

117. When agencies cannot post investment transactions daily, they may post the net cash received to GL account 0060, Undistributed Cash Receipts. Agencies can later use information from the State Street reports to reclassify the amounts to the appropriate GL accounts and comp objects.

118. Certain investments, such as private equity investments are illiquid, long-term investments without a readily available market. To ensure agencies report these investments accurately, make the following year-end entries (reverse the entries in the first month of the new fiscal year):

TC 474R: To remove long-term investments from current assets.

DR 2951 System Clearing General Ledger	5,000	
CR 0240 Investments - Designated		5,000

TC 474: To move long-term investments into noncurrent assets.

DR 0929 Investments - NonCurrent	5,000	
CR 2951 System Clearing General Ledger		5,000

Accounting for Investments Held Outside Treasury

119. Agencies use TC 490 to record purchases and sales of investments held outside the Treasury. When agencies sell these investments, use TC 481 to record *realized* gains and losses. Use TC 481 to record interest received on investments held outside the Treasury.

Accounting for Changes in the Fair Value of Investments

120. At the end of each month, record changes in the fair value of investments. Calculate this change by comparing the fair value of the investment to the book value. The book value is the investment's par value plus or minus the investment valuation account. Changes in the fair value of investments may be positive or negative depending on market conditions. Record decreases in fair value as negative revenue.

121. An example of how to record changes in the fair value of investments held at Treasury is:

Transaction information:

- Fair value per Treasury report: $2,500
- Fair value per books: $2,300
- Change in fair value: $200 increase

TC 487: To record the increase in the fair value of the investment.

DR 0245 Investment Valuation Acct - Designated	200	
CR 3200 GAAP Rev Offset (CO 0830 Net Incr/Decr in FV of Invest)		200

Accounting for Restricted Investments

122. **Restricted assets** arise when restrictions on the use of the asset change the nature of the asset's availability. For example, current assets normally include cash and investments. Restrictions do not normally limit the agency's ability to use these resources to pay current liabilities. However, if the agency has separate cash and investments to pay debt principal and interest, then report these assets as restricted assets. Restricted assets may also include invested debt proceeds or other resources (such as customer deposits).

123. At year-end, reclassify restricted investments, held outside the Treasury, to a separate general ledger account. The amount reclassified should equal the fair value, which includes the investment's par value, plus or minus the investment valuation account. In the first month of the new fiscal year, reverse the entry. Example entries to reclassify (Investments - Other) to (Investments - Restricted) are:

TC 474: To move restricted investments into the Investments - Restricted account.

DR 0940 Investments - Restricted	1,000	
CR 2951 System Clearing Account		1,000

TC 474R: To remove restricted investments from the Investments - Other account.

DR 2951 System Clearing Account	1,000	
CR 0250 Investments - Other		900
CR 0255 Investment Valuation Account - Other		100

124. When restricted investments are at the Treasury, complete a year-end disclosure form to show the amount of restricted investments. Do not reclassify restricted investments (held in Treasury) in R*Stars. This will ensure that designated investments in R*Stars will match Treasury records. SARS will reclassify these designated investments to restricted investments during compilation.

Year-end Entries for Receivables and Payables

125. The year-end Treasury reports provided to agencies may show outstanding broker receivables or broker payables for transactions in process. There may also be interest receivable. Reclassify these balances in R*Stars with the following entries and reverse the entries in the first fiscal month of the following year.

Step 1: Adjust Net Asset Value (NAV) including receivables (if applicable) to agree to Treasury.

TC 487: To show the increase to NAV.

DR 0245 Investment Valuation Acct – Designated	1,000	
CR 3200 GAAP Rev Offset (CO 0830 Net Incr/Decr in FV of Invest)		1,000

Step 2: Reclassify investment balances to report receivables.

TC 474: To reclassify to accounts or interest receivable.

DR 0503 (or 0576 Interest Receivable) Accounts Receivable	500	
CR 2951 System Clearing Account		500

TC 474R: To reclassify the amount out of investments.

DR 2951 System Clearing Account	500	
CR 0245 Investment Valuation Acct – Designated		500

Step 3: Adjust Net Asset Value (NAV) including payables (if applicable) to agree to Treasury.

TC 487R: To show the decrease to NAV.

DR 3200 GAAP Rev Offset (CO 0830 Net Incr/Decr in FV of Invest)	1,000	
CR 0245 Investment Valuation Acct – Designated		1,000

Step 4: Reclassify investment balances to report payables.

TC 475: To reclassify to accounts payable.

DR 2951 System Clearing Account	500	
CR 1215 Accounts Payable		500

TC 474: To reclassify the amount out of investments.

DR 0245 Investment Valuation Acct – Designated	500	
CR 2951 System Clearing Account		500

Financial Statement Reporting

126. Statewide Accounting and Reporting Services (SARS) combines and reports the balances in the investment general ledger accounts together with the balance in the investment valuation account.

127. SARS reports the change in the fair value of investments, dividends, interest, and realized gains and losses in investment income.

128. Changes in the fair value of investments are not cash flow transactions. SARS will report the change in fair value as noncash activity on the Statement of Cash Flows.

Disclosure Requirements

129. Report investment risk disclosures using "reported value". Depending on the type of investment, the reported value will represent balances at cost, amortized cost, or fair value.

130. For investment disclosure purposes in the schedule of **custodial credit risk**, use the standard investment categories and titles listed below.

Investments Subject to Custodial Credit Risk Categorization

- U.S. Treasury Securities
- U.S. Agency Securities
- U.S. Treasury Strips
- U.S. Agency Strips
- Domestic Equity Securities
- International Equity Securities
- International Debt Securities
- Commercial Paper
- Corporate Bonds
- Municipal Bonds
- Bankers' Acceptances
- Collateralized Mortgage Obligations
- Asset Backed Securities – Other
- Repurchase Agreements

Investments Not Subject to Custodial Credit Risk Categorization

- Mutual Funds
- Alternative Equities (includes leveraged buy-outs, limited partnerships, venture capital, etc.)
- Real Estate and Real Estate Mortgages
- Guaranteed Investment Contracts
- Annuity Contracts

131. For purposes of custodial credit risk disclosures, classify investment securities into the following three risk categories:

a. **Category 1:** Insured or registered, or securities held by the agency or its agent in the agency's name.

b. **Category 2**: Uninsured and unregistered, with securities held by the counterparty or the counterparty's trust department or its agent in the agency's name.

c. **Category 3**: Uninsured and unregistered, with securities held by the counterparty or the counterparty's trust department or agent, but not in the agency's name.

132. For disclosures regarding the **credit risk** associated with investments in debt securities, disclose credit quality ratings as described by national rating agencies. Aggregate these ratings by investment type and by credit quality rating. U.S. Treasuries and obligations explicitly guaranteed by the U.S. government have no credit risk; therefore, they are of the highest credit quality.

133. Investment credit quality ratings typically used for disclosure purposes include the following:

a. Highest credit quality is Aaa (Moody's), AAA (S&P) and AAA (Fitch).
b. Very high credit quality is Aa (Moody's), AA (S&P) and AA (Fitch).
c. High credit quality is A (Moody's, S&P, and Fitch).
d. Good credit quality is Baa (Moody's), BBB (S&P and Fitch).
e. Speculative grade credit quality is Ba (Moody's) and BB (S&P and Fitch).

134. For disclosures regarding the **interest rate risk** of investments in debt securities, disclose investment maturities by using the segmented time distribution method. Identify maturity distributions by investment type.

135. The following schedule is an example of the State's standard schedule of interest rate risk and credit quality disclosure.

		Investment Maturities (in years)				
Investment type	**Credit rating**	**Less than 1 year**	**1-5 years**	**6-10 years**	**More than 10 years**	**Total Reported Value**
U.S. Treasury Securities	-	$-	$-	$-	$-	$-
U.S. Agency Securities	-	-	-	-	-	-
U.S. Treasury Strips	-	-	-	-	-	-
U.S. Agency Strips	-	-	-	-	-	-
GNMA	-	-	-	-	-	-
Domestic Equity Securities	*n/a*	-	-	-	-	-
International Equity Securities	*n/a*	-	-	-	-	-
International Debt Securities	-	-	-	-	-	-
Commercial Paper						
Corporate Bonds	-	-	-	-	-	-
Municipal Bonds	-	-	-	-	-	-
Collateralized Mortgage Oblig.	-	-	-	-	-	-
Other:	-	-	-	-	-	-
Mutual Funds – Fixed Income Only	-	-	-	-	-	-
Mutual Funds – Non Fixed Income	*n/a*	-	-	-	-	-
Alternative Equities	*n/a*	-	-	-	-	-
Real Estate & Real Estate Mortg.	*n/a*	-	-	-	-	-
Guaranteed Inv. Contracts	*n/a*	-	-	-	-	-
Annuity Contracts	*n/a*	-	-	-	-	-
Total Investments		$ -	$ -	$ -	$ -	$ -

136. The disclosure associated with **concentration of credit risk** is at the statewide level with information provided by the Treasury and by the agencies. Agencies will complete a year-end

disclosure form for investments held outside of the Treasury. On the disclosure form, indicate if the investment in any one issuer is more than 5 percent of the total investments within a single GAAP fund. Total investments would be an aggregate of all investments (including restricted and unrestricted).

137. Exclude investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments from concentration of credit risk.

138. The disclosure for **foreign currency risk** involves an analysis at the statewide level of Treasury and agency information. Agencies will complete a year-end disclosure form for investments held outside of Treasury. On the disclosure form, indicate the U.S. dollar balance of investments exposed to foreign currency risk, organized by currency and investment type.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	**Number:**	15.20.00
Division:	Chief Financial Office	**Effective date:**	July 16, 2015
Chapter:	Accounting and Financial Reporting		
Part:	Derivative Instruments		
Approved:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy provides guidance on the accounting and financial reporting of derivatives.

AUTHORITY:
ORS 291.015
ORS 293.590
GASB Statement No. 53
GASB Statement No. 59
GASB Statement No. 64

APPLICABILITY: This policy applies to all state agencies included in the state's financial statements, except those agencies specifically exempted by **OAM 01.05.00**.

DEFINITIONS: **Derivative instruments:** Complex financial arrangements used to manage risks or to make investments. Other data, such as bond or commodity prices, or indexes based on those prices, determine the fair values and cash flows of derivative instruments. By entering into these transactions, the parties involved make and receive payments without entering into the related financial or commodity transactions.

A derivative instrument is a financial instrument or other contract that contains all three of the following features:

a. Settlement factors. The derivative has:

- One or more reference rates(1) and
- One or more notional amounts(2) or payment provisions, or both.

b. Leverage. The derivative requires no initial net investment, or the initial net investment is smaller than required for other types of contracts expected to have a similar response to changes in market factors.

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(1) A reference rate is an interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, or other variable. A reference rate may be a price or rate of an asset or liability but is not the asset or liability itself.

(2) A notional amount is a number of currency units, shares, bushels, pounds, or other units specified in the derivative instrument. The interaction of the notional amount and the reference rate determines the settlement of a derivative instrument.

c. Net Settlement. The derivative terms require or permit net settlement, which can readily be settled net by a means outside of the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

A derivative contract contains a "net settlement" provision if the contract terms meet one of the following criteria:

a. The terms require neither party to deliver an asset associated with the reference rate that has a principal amount, stated amount, face value, number of shares, or other denomination that is equal to the notional amount. For example, most interest rate swaps do not require that either party deliver cash or interest-bearing assets with a principal amount equal to the notional amount of the contract.

b. The terms require one of the parties to deliver an asset that has a principal amount, stated amount, face value, number of shares, or other denomination that is equal to the notional amount, but also provide a method for net settlement. For example, the terms provide for an exchange that offers an opportunity to sell the contract or to enter into an offsetting contract.

c. The terms require one of the parties to deliver an asset that has a principal amount, stated amount, face value, number of shares, or other denomination that is equal to the notional amount, but that asset is convertible to cash or is itself a derivative instrument. An example of that type of contract is a forward contract that requires delivery of an exchange-traded equity security. Even though the number of shares delivered is the same as the notional amount of the contract and the price of the shares is the reference rate, an exchange-traded security is readily convertible to cash.

Some construction or purchase contracts include nonperformance penalty provisions. A penalty payment for nonperformance, either fixed or variable, that is dependent on the failure of the counterparty to comply with a contract term does not meet the net settlement characteristic.

Fully benefit-responsive synthetic guaranteed investment contract, or SGIC: A modified guaranteed investment contract (GIC) in which the underlying assets of the synthetic contract are owned by the plan itself rather than the insurance company, as is the case with the GIC. This ownership right is of particular importance if the long-term financial soundness of an insurance company is doubtful. The synthetic plan segregates the plan's assets from the assets of the insurance company.

Click here for other **definitions**.

POLICY

101. Agency management must ensure the proper accounting and reporting of derivative instruments. Derivative instruments include, but are not limited to:

a. Futures contracts
b. Forward contracts that contain net settlement provisions
c. Option contracts

d. Interest rate and currency swaps
e. Other financial instruments with similar characteristics

102. Agencies must account for derivative instruments as either investments or hedges.

103. Report investment derivative instruments as part of the investments account and report hedging derivative instruments as both an asset and deferred inflow of resources or as a liability and deferred outflow of resources. The deferred inflow and deferred outflow accounts are considered neither assets nor liabilities but should be reported on the face of the statement of net position.

104. Report derivative instruments at fair value with the exception of fully benefit-responsive synthetic guaranteed investment contracts, or SGICs. For an SGIC, report the combination of the underlying investments and the wrap contract at contract value.

105. Report the changes in the fair value of investment derivative instruments, including hedging derivative instruments the agency determines are ineffective, in the operating statement.

106. Report the changes in the fair values of hedging derivative instruments as either deferred inflows of resources or deferred outflows of resources in the statement of net position.

107. Determine fair value using the market price if an active market exists. If a market price is not available, agencies may use a forecast of discounted expected cash flows. Formula-based methods and mathematical methods are also acceptable, such as matrix pricing, zero-coupon method, and the par-value method. Agencies may base the fair value of options on option-pricing models. Fair values determined by pricing services are acceptable if the services use the methods described above.

108. Agencies use investment derivative instruments primarily for obtaining income or profit.

109. Agencies use hedging derivative instruments to reduce the risk of adverse changes in cash flows and fair values of assets, liabilities, and expected transactions, e.g., to counter increases in interest costs, to offset commodity price increases, or to protect against losses in fair value.

110. A hedging derivative instrument must meet both of the following criteria:

a. The derivative instrument “associates” with a hedgeable item. This means:

- The notional amount of the derivative instrument is consistent with the principal amount or quantity of the hedgeable item,

- The derivative instrument is in the same fund as the hedgeable item, and

- The term or time period of the derivative instrument is consistent with the term or time period of the hedgeable item.

b. The hedge is effective, meaning it significantly reduces financial risk. Agencies establish *effectiveness* by showing that the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item. Hedgeable items can be all or a specific portion of:

- A single asset or liability, for example, an entire bond issue or a specific portion of a bond issue

- Groups of similar assets or liabilities
- An expected transaction

111. Assets and liabilities measured at fair value do not qualify as hedgeable items.

112. To evaluate potential hedging derivative instruments for effectiveness, use one of these methods:

     a. The consistent critical terms method (qualitative)
     b. The synthetic instrument method (quantitative)
     c. The dollar-offset method (quantitative)
     d. The regression analysis method (quantitative)
     e. Other quantitative methods that meet GASB criteria (quantitative)

113. Risks that an agency may hedge include interest rate, tax, credit, and foreign currency risks. If the hedged risk is interest rate risk, the agency must use an appropriate benchmark interest rate for the evaluation of effectiveness. For tax-exempt debt, the appropriate benchmark interest rates include the SIFMA swap index and the AAA general obligations index. If an agency uses a swap that employs LIBOR or a percentage of LIBOR to hedge tax-exempt debt, evaluate hedge effectiveness using one of the quantitative methods listed above.

114. When a derivative instrument no longer meets the criteria of a hedging derivative instrument, account for it as an investments derivative instrument. Hedge accounting should cease to be applied upon the occurrence of one of the following termination events:

     a. The hedging derivative instrument is no longer effective as determined by applying the criteria in paragraphs 26–62 of GASB Statement 53 - *Accounting and Financial Reporting for Derivative Instruments*.

     b. The likelihood that a hedged expected transaction will occur is no longer probable.

     c. The hedged asset or liability, such as a hedged bond, is sold or retired but not reported as a current refunding or advanced refunding resulting in a defeasance of debt.

     d. The hedging derivative instrument is terminated unless an effective hedging relationship continues (described in 115 below)

     e. A current refunding or advanced refunding resulting in the defeasance of the hedged debt is executed.

     f. The hedged expected transaction occurs, such as the purchase of an energy commodity or the sale of bonds.

115. An effective hedging relationship continues when all of the following criteria are met, despite the termination of the hedging derivative, noted in 114(d) above:

     a. Collectability of swap payments is considered probable.

     b. The swap counterparty of the interest rate swap or commodity swap, or the swap counterparty's credit support provider, is replaced with an assignment or in-substance assignment (defined at 116 and 117).

c. The government enters into the assignment or in-substance assignment in response to the swap counterparty, or the swap counterparty's credit support provider, either committing or experiencing an act of default or a termination event as both are described in the swap agreement.

116. An *assignment* occurs when a swap agreement is amended to replace an original swap counterparty, or the swap counterparty's credit support provider, but all of the other terms of the swap agreement remain unchanged.

117. An *in-substance assignment* occurs when all of the following criteria are met*:*

a. The original swap counterparty, or the swap counterparty's credit support provider, is replaced;

b. The original swap agreement is ended, and the replaced swap agreement is entered into on the same date; and

c. The terms of that affect changes in fair values and cash flows in the original and replacement swap agreements are identical.

PROCEDURES

Evaluation of Effectiveness of Hedging Instrument

118. *Evaluation of effectiveness in the first reporting period.* If the agency first evaluates a potential hedging derivative instrument using the consistent critical terms method, and the instrument does not meet the criteria, apply at least one quantitative method before concluding that the potential hedging derivative instrument is ineffective. If the agency first evaluates a potential hedging derivative instrument using a quantitative method and the instrument does not meet the criteria, an agency may apply another quantitative method(s) before concluding the derivative is ineffective. If the agency determines that a potential hedging derivative is ineffective in the first reporting period, do not evaluate for effectiveness in subsequent reporting periods.

119. *Evaluation of effectiveness in subsequent reporting periods.* Re-evaluate all hedging derivative instruments at the end of the current reporting period. Use the method applied in the prior reporting period. If the agency applies that method and the hedging derivative instrument no longer meets the criteria for effectiveness, the agency may apply another method(s) before concluding that the hedging derivative instrument is no longer effective.

Accounting for Derivative Instruments as Hedges

120. If, after following the guidance for evaluating effectiveness, agencies find a derivative instrument to be effective in reducing a financial risk, report and disclose that derivative in accordance with hedge accounting.

121. Under hedge accounting, agencies report the change in fair value of a hedging derivative instrument in the statement of net position as deferred inflows of resources (accumulated increases in fair value) or deferred outflows of resources (accumulated decreases in fair value) rather than as investment income or loss in the operating statement. Add each year's change in fair value to the deferral in the statement of net position. If the hedging derivative instrument remains effective and continues until its planned conclusion, the deferrals will balance out the fair value of the derivative until that value declines to zero when it concludes.

122. If a hedging derivative instrument ceases to be effective during its term or terminates early, agencies remove the deferred amounts from the statement of net position. Agencies then report the investment income or loss, plus or minus the changes in fair value for that year, in the operating statement. However, if a hedging derivative instrument hedges a liability such as a current or advanced refunding, then include the deferral amounts in the amortization associated with the refunding.

123. In the initial year, if an agency determines a derivative instrument is an effective hedge, consider the hedging derivative instrument effective for the current and previous reporting periods. On the other hand, if an agency determines that a derivative instrument is no longer effective at the end of the initial year, then evaluate the derivative instrument as of the end of the previous reporting period.

124. Use the entries below to report the fair value of an effective hedging derivative instrument in the statement of net position.

T-code 474/475: To record the fair value of a derivative instrument at the end of the initial year if the fair value is positive.

<u>T-code 474</u>		
DR 0998 Derivative Instrument-Asset	$100	
CR 2951 System Clearing GL Level Only		$100
<u>T-code 475</u>		
DR 2951 System Clearing GL Level Only	$100	
CR 1850 Deferred Inflows-Hedging Derivatives		$100

T-code 474/475: To record the fair value of the derivative instrument at the end of the initial year if the fair value is negative.

<u>T-code 474</u>		
DR 0999 Deferred Outflows-Hedging Derivative	$100	
CR 2951 System Clearing GL Level Only		$100
<u>T-code 475</u>		
DR 2951 System Clearing GL Level Only	$100	
CR 1785 Derivative Instrument-Liability		$100

These entries record the fair value of the hedging derivative instrument as offsetting assets and liabilities. Record similar entries in subsequent years provided the hedging derivative instrument is still effective.

125. If, at the end of a following year, an agency finds that a previously effective hedging derivative instrument is no longer effective, reverse the accumulated deferral amounts and immediately recognize the accumulated change in fair value in the operating statement.

T-code 487: To record the fair value of a previously effective hedge in the operating statement if the fair value balance is positive, using comptroller object 0830 – Net Increase (Decrease) in Fair Value of Investments.

DR 0245 Investment Valuation Account	$500	
CR 3200 GAAP Revenue Offset (C/O 0830)		$500

T-code 487R: To record the fair value of a previously effective hedge in the operating statement if the fair value balance is negative, using comptroller object 0830.

DR 3200 GAAP Revenue Offset (C/O 0830)	$500	
CR 0245 Investment Valuation Account		$500

T-code 487: To record the current year's change in fair value in the operating statement if positive, using comptroller object 0830:

DR 0245 Investment Valuation Account	$200	
CR 3200 GAAP Revenue Offset (C/O 0830)		$200

T-code 487R: To record the current year's change in fair value in the operating statement if negative, using comptroller object 0830:

DR 3200 GAAP Revenue Offset (C/O 0830)	$200	
CR 0245 Investment Valuation Account		$200

126. If, however, the hedging derivative instrument remains effective until the termination date, remove the previously deferred accumulated amounts from the accounting records with T-code 474R and T-code 475R:

T-code 475R/474R: To remove the asset and previously deferred inflows.

T-code 475R		
DR 1850 Deferred Inflows-Hedging Derivatives	$2,000	
CR 2951 System Clearing GL Level Only		$2,000
T-code 474R		
DR 2951 System Clearing GL Level Only	$2,000	
CR 0998 Derivative Instrument-Asset		$2,000

T-code 475R/474R: To remove the liability and previously deferred outflows.

T-code 475R		
DR 1785 Derivative Instrument-Liability	$2,000	
CR 2951 System Clearing GL Level Only		$2,000
T-code 474R		
DR 2951 System Clearing GL Level Only	$2,000	
CR 0999 Deferred Outflows-Hedging Derivatives		$2,000

Accounting for Derivative Instruments as Investments

127. Account for investment derivatives, which also include previously effective hedging derivatives that are no longer effective, similarly to other investments. Report changes in fair value for the current year in the operating statement.

T-code 487: To record a positive change in fair value using comptroller object 0830.

DR 0245 Investment Valuation Account	$100	
CR 3200 GAAP Revenue Offset (C/O 0830)		$100

T-code 487R: To record a negative change in fair value using comptroller object 0830.

DR 3200 GAAP Revenue Offset (C/O 0830)	$100	
CR 0245 Investment Valuation Account		$100

Hedging Derivative Instruments Disclosure Requirements

128. Report the following disclosures for hedging derivative instruments:

a. The objectives for entering into the derivative, the context needed to understand those objectives, the strategies for achieving those objectives, and the types of derivative instruments used.

b. Significant terms of the transaction, including:

- Notional amount;
- Reference rates, such as indexes or interest rates;
- Embedded options, such as caps, floors, or collars;
- The date when the agency entered into the derivative instrument and when it will terminate or mature;
- The amount of cash paid or received, if any, when an agency initiates a forward contract or swap.

c. Exposure to the following risks:

- *Credit risk* is the risk that another party to a transaction will not fulfill its obligations. Disclosures for credit risk include:

    1. The credit quality ratings of counterparties as described by nationally recognized rating agencies as of the end of the reporting period. If the counterparty has no rating, indicate this fact.

    2. The maximum amount of loss due to credit risk, based on the fair value of the hedging derivative instrument as of the end of the reporting period. The agency would incur this loss if the counterparties to the hedging derivative instrument failed to perform according to the terms of the contract (without respect to any collateral or other security, or netting arrangement).

    3. The policy of requiring collateral or other security to support hedging derivative instruments subject to credit risk; a summary description and the aggregate amount of the collateral or other security that reduces credit risk exposure; and information about access to that collateral or other security.

    4. The policy of entering into master netting arrangements, including a summary description and the aggregate amount of liabilities included in those arrangements. Master netting arrangements occur when (a) each party owes the other determinable amounts, (b) the government has the right to set off the amount owed with the amount owed by the counterparty, and (c) the right of setoff is legally enforceable.

    5. The aggregate fair value of hedging derivative instruments in asset (positive) positions, net of collateral posted by the counterparty, and the effect of master netting arrangements.

6. Significant concentrations of net exposure to credit risk with individual counterparties or groups of counterparties. Group concentrations of credit risk exist if a number of counterparties engage in similar activities and have similar economic characteristics that would cause changes in economic or other conditions that would similarly affect their ability to meet contractual obligations.

7. Credit risk disclosures do not extend to derivatives that are exchange-traded, such as futures contracts. For those derivatives, evaluate the amounts held by broker-dealers by applying the custodial credit risk disclosures in **OAM 15.15.00**.

- *Interest rate risk* is the risk that changes in interest rates will adversely affect the fair values of a government's financial instruments or a government's cash flows. Disclosures for interest rate risk include the increased exposure itself and the hedging derivative instrument's terms that increase this risk.

- *Basis risk* is the risk that arises when variable interest rates on a derivative and an associated bond or other interest paying financial instrument have different indexes. Disclosures for basis risk include the basis risk itself, the hedging derivative instrument's terms, and the payment terms of the hedged item that creates the basis risk.

- *Termination risk* is the risk that a derivative's unscheduled end will affect a government's asset/liability strategy or will present the government with significant unscheduled termination payments to the counterparty. Disclosures for termination risk include the termination risk itself, any termination events that have occurred, dates that the hedging derivative instrument might terminate, and any out-of-the-ordinary termination events contained in contractual documents.

- *Rollover risk* is the risk that a derivative instrument associated with a government's debt does not extend to the maturity of that debt. When the derivative terminates, the associated debt will no longer have the benefit of the derivative. Disclosures for rollover risk include the maturity of the hedging derivative instrument and the maturity of the hedged item.

- *Market-access risk* is the risk that a government will not be able to enter credit markets or that credit will become more costly. Disclose any exposure to market-access risk.

- *Foreign currency risk* – if the hedging derivative exposes the government to foreign currency risk, disclose the U.S. dollar balance of the hedging derivative instrument, organized by currency and by type of derivative.

d. If the hedged item is a debt obligation, disclose the hedging derivative instrument's net cash flows based on the requirements of **OAM 15.15.00.**

Example of hedging derivative instruments disclosures:

Fiscal Year Ending June 30,	Principal	Interest	Hedging Derivatives, Net	Total
20X1	$6,000	$7,786	$(1,253)	$12,533
20X2	10,000	7,525	(1,211)	16,314
20X3	27,000	7,090	(1,141)	32,949
20X4	33,000	5,916	(952)	37,964
20X5	15,000	4,480	(721)	18,759
20X6-20Y0	29,000	19,140	(3,080)	45,060
20Y1-20Y5	15,000	12,385	1,475	28,860
20Y6-20Z0	14,000	9,570	(528)	23,042
20Z1-20Z3	30,000	6,310	(300)	36,010
Total	$179,000	$80,202	$(7,711)	$251,491

Investment Derivative Instruments Disclosure Requirements

129. Disclose the following for investment derivative instruments:

a. *Credit risk.* If the investment derivative instrument has an exposure to credit risk, disclose that risk consistent with the requirements for credit risk as outlined above.

b. *Interest rate risk.* If the investment derivative instrument has an exposure to interest rate risk, disclose that risk consistent with the requirements of **OAM 15.15.00**. Furthermore, an investment derivative instrument that is an interest rate swap is an additional example of an investment that has a fair value that is highly sensitive to interest rate changes, which requires disclosure of the fair value, notional amount, reference rate, and embedded options, as applicable.

c. *Foreign currency risk.* If the investment derivative instrument has an exposure to foreign currency risk, disclose that risk consistent with the requirements of **OAM 15.15.00**.

Summary Disclosure Requirements

130. Statewide Accounting and Reporting Services (SARS) discloses derivative information at the statewide level in Oregon's Comprehensive Annual Financial Report (CAFR). Agencies that issue separate audited financial statements report their derivatives at the agency level. In either case, the disclosure process includes the following steps:

a. Divide each category between (1) *hedging* derivative instruments and (2) *investment* derivative instruments, distinguishing between fair value hedges and cash flow hedges.

b. Within each subcategory, aggregate the derivative instruments by type (receive-fixed swaps, pay-fixed swaps, swaptions, rate caps, basis swaps, or futures contracts).

131. Include the following information in the disclosures, using a columnar display, narrative form, or a combination of both.

a. Notional amounts

b. Changes in fair value during the reporting period and the classification in the financial statements where those changes in fair value appear.

c. Fair values as of the end of the reporting period and the classification in the financial statements where those fair values appear. If fair value determinations are contingent upon quoted market prices, then disclose the method and significant assumptions used to estimate the fair values.

d. If an agency relies on a pricing service to determine the fair values, the agency is not required to disclose the significant assumptions if the pricing service considers them proprietary. However, the agency should make a reasonable effort to obtain that information. If the pricing service refuses, then disclose that fact.

e. Fair values of derivative instruments reclassified from a hedging derivative instrument to an investment derivative instrument. An agency must also disclose the deferral amount reported within the investment revenue upon reclassification.

Other Disclosures

132. If applicable, also disclose the following:

a. Any contingent features, such as an obligation to post collateral if the credit quality of the hedgeable item declines. Contingent feature disclosures include:

- The existence and nature of contingent features and the circumstances that could trigger those features.
- The aggregate fair value of derivative instruments that contain those features.
- The aggregate fair value of assets required for posting as collateral or transferred in accordance with the provisions related to the triggering of the contingent liabilities.
- The amount posted as collateral by the government as of the end of the reporting period.

b. For SGICs that are fully benefit-responsive, include a description of the nature of the SGIC, and the SGIC's fair value (including separate disclosure of the fair value of the wrap contract and the fair value of the corresponding underlying investments).

133. The Office of the State Treasurer determines the fair value of derivative instruments at year-end for those agencies that hold designated investments.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	15.30.00
Division:	Chief Financial Office	Effective date:	July 1, 2012
Chapter:	**Accounting and Financial Reporting**		
Part:	**Securities Lending**		
Section:			
Approved:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy provides guidance on accounting and financial reporting for securities lending.

AUTHORITY:
ORS 291.040
ORS 293.590
ORS 293.736
GASB Statement No. 3
GASB Statement No. 9
GASB Statement No. 28
GASB Statement No. 34
GASB Statement No. 40

APPLICABILITY: This policy applies to all state agencies included in the state's financial statements, except those agencies specifically exempted by OAM policy 01.05.00.

DEFINITION: Securities lending involves loaning securities from the Office of the State Treasurer (Treasury) in exchange for collateral. Treasury agrees to return the collateral for the same securities in the future. Treasury receives **lender fees** when *securities* are the collateral and Treasury (as the **lender**) pays **borrower rebates** for the use of *cash* collateral. **Securities lending agents** handle the transactions and receive **agent fees** in return.

POLICY:

101. Agency management is responsible for ensuring the proper accounting and reporting of securities lending.

102. This policy establishes the reporting requirements for **securities lending transactions** according to **generally accepted accounting principles (GAAP)**.

103. GAAP require reporting the costs of securities lending such as rebates and agent fees, as expenditures/expenses (services and supplies). GAAP do not allow the netting of these costs with securities lending income.

104. The securities lent (the **underlying securities**) will still appear as assets on the balance sheet.

105. The *cash* received as collateral and investments made with that cash will appear as assets, with the invested cash reported per Treasury statements. The obligation to return the cash will show as a liability.

106. *Securities* received as collateral will show as assets if the state can pledge or sell them without borrower default. In this case, also report a liability to return the securities.

107. Revenues and costs of securities lending are subject to budgetary rules on a net basis.

108. Treasury provides reports to SARS and agencies that show which agencies with *designated investments* had securities lending income during the year. Agencies will post entries before the close of month 13 for their securities lending costs, and increase interest revenue by the same amount, in each GAAP fund. The amount of each of these entries is the total of “fees paid to agent” and “borrower rebates”.

109. Based on interest earnings posted to R*Stars, SARS will allocate the *Oregon Short-term Fund (OSTF)* securities lending revenues and expenses. SARS will notify each agency that prepares audited statements of that agency’s GAAP fund(s) pro rata share. For all other GAAP funds, SARS will make entries at a statewide level to record costs and increase revenue.

110. Treasury provides reports to SARS and agencies that show which agencies with *designated investments* had securities lending balances at year-end. Designated investments will continue to show as investments on the balance sheet even though some designated investments are out on loan. Agencies will report the cash collateral received on securities lending for *designated investments* as an asset and a liability.

111. SARS will report investments of the *OSTF*, including any securities on loan, as cash in the balance sheet because the OSTF functions as a demand deposit account. This cash will remain on the balance sheet even though some securities within the OSTF are out on loan.

112. At year-end, SARS will tabulate the R*Stars cash balances for each GAAP Fund. SARS will assign to each GAAP fund a pro rata share of the cash received as collateral *in the OSTF* and investments made with that cash. SARS will notify each agency required to prepare audited statements of their pro rata share of the assets. Those agencies will post entries for the cash collateral received and liabilities for cash collateral.

<u>PROCEDURES:</u>

Recording Revenues and Expenditures/Expenses

113. Use the following T-Codes to record the revenue and expenditure/expense entries for both designated investments and the OSTF:

1) **TC 908R:** Adjusts revenue for securities lending to the gross amount:

DR 1551 Deposit Liability	1,000	
CR 3200 GAAP Revenue Offset		1,000

2) **TC 909R:** Adjusts expenditures/expenses for securities lending to the gross amount

DR 3600 GAAP Expenditure Offset	1,000	
CR 1551 Deposit Liability		1,000

Recording Assets and Liabilities

114. Use the following T-Codes to record the balance sheet entries for both designated investments and the OSTF:

1) **TC 928:** Posts an equal entry in R*Stars for the cash collateral received.

DR 0350 Securities Lending Collateral	500	
CR 1600 Obligations Under Securities Lending		500

Financial Statement Reporting

115. Balance Sheet: SARS will present the securities lending assets as Securities Lending Collateral. SARS will present the securities lending liabilities as Obligations Under Securities Lending on the balance sheet.

116. Operating Statement: SARS will present securities lending revenue as part of investment income in the operating statement and securities lending costs as services and supplies.

117. Statement of Cash Flows: SARS will separately display securities lending revenue and expense in the statement of cash flows under “cash flows from investing activities”. The titles will be “investment income from securities lending” and “investment expense from securities lending.”

Disclosure Requirements

118. SARS will request the following information from Treasury and will disclose it in the notes to the CAFR:

a. The source of legal approval for securities lending and any major breach of those provisions.

b. A general description of securities lending.

c. The carrying amount and fair value of the original securities.

d. Whether the maturities of the investments made with cash collateral generally match the maturities of the securities lent and the extent of such matching.

e. The amount of any losses on securities lending from the default of a borrower and amounts recovered from prior period losses.

f. The carrying amounts and fair values of securities lending collateral and original securities.

119. Treasury will provide information on *designated investments* to the agencies about securities on loan and investments purchased with cash collateral.

120. SARS will notify each agency required to prepare audited statements of the agency’s share of securities lending *for the OSTF*.

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Reporting	**Number:**	15.35.00
Division:	Chief Financial Office	**Effective date:**	January 31, 2013
Chapter:	Accounting and Financial Reporting		
Part:	Revenues and Receivables		
Approved:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy provides guidance on accounting and financial reporting for exchange transactions and for nonexchange transactions involving financial or capital assets. It does not apply to interfund transactions or interagency transactions.

AUTHORITY: **ORS 293.590**
GASB Codification Section 1600
GASB Codification Section 2200
GASB Statement No. 24
GASB Statement No. 33
GASB Statement No. 34
GASB Statement No. 38
GASB Statement No. 42
GASB Statement No. 48
GASB Statement No. 54

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

DEFINITIONS: **Exchange transactions** are transactions in which each party to the transaction gives up or receives essentially equal value. For example, a purchase or sale of goods or services is an exchange transaction. One participant exchanges cash for goods or services of an equal value.

An exchange-like transaction is one in which the values exchanged, though related, may not be equal and in which the direct benefits may not be exclusively for the parties to the transaction. Nevertheless, the exchange characteristics of the transaction are strong enough to justify treating the transaction as an exchange transaction for accounting recognition. The difference between an exchange transaction and an exchange-like transaction is a matter of degree.

Nonexchange transactions are transactions in which one party gives value or benefit to another party without directly receiving equal value in exchange or, conversely, receives value or benefit from another party without directly giving equal value in exchange. Nonexchange transactions fall into four classes:

a. Derived tax revenues. Derived tax revenues result when a governmental entity imposes a tax on an exchange transaction. Personal and corporate income taxes, motor fuels taxes, and other assessments based on earnings or consumption are all derived tax revenues.

b. Imposed nonexchange transactions. Imposed nonexchange transactions result when a governmental entity imposes an assessment on a nongovernmental entity and bases the assessment on something other than an exchange transaction. Inheritance taxes, fines, and penalties are examples of imposed nonexchange transactions.

c. Government-mandated nonexchange transactions. Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level. The provider government stipulates that the receiving government use the resources provided for a specific mandated program. Fulfillment of eligibility requirements is generally also required. A federal grant for a federally mandated program is an example of a nonexchange transaction.

d. Voluntary nonexchange transactions. Voluntary nonexchange transactions result from legislative or contractual agreements, other than exchanges, entered into willingly by two or more parties. The provider frequently establishes purpose restrictions and eligibility requirements. Certain grants and entitlements, as well as most donations, fall into this category.

Click here for other **definitions**.

POLICY:

101. Agency management must ensure the proper accounting and reporting of revenues and receivables.

102. Agencies must account for revenues in accordance with **generally accepted accounting principles** (GAAP). Agencies are responsible for analyzing the nature of their transactions and using the applicable guidance provided in this policy

103. Agencies must report revenues net of estimated uncollectible amounts. Accordingly, agencies record receivables at the gross amount and offset the receivables with the amount of estimated uncollectibles in Allowance for Uncollectible Accounts. Use of an allowance account is required for tracking and reporting purposes.

PROCEDURES:

Recognizing Revenue – Exchange Transactions

104. Recognize revenue in governmental funds using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues must be "susceptible to accrual" in order to be accrued. Revenue that is both measurable and available to finance current period expenditures is “susceptible to accrual”. Revenue that is legally usable to finance current period expenditures and that the agency collects in the current period or soon enough thereafter to pay liabilities of the current period is “available”. For the State, this availability period is 90 days after the fiscal year end. A revenue is "measurable" if: (1) the precise amount is known because the transaction is completed; or (2) the amount can be determined and/or

reasonably estimated from other available information. Revenues generally recognized when susceptible to accrual include:

a. Charges for sales and services received by the user

b. Interest earnings

c. Significant revenues not received at the normal time of receipt

105. Recognize certain revenues in governmental fund types only when received in cash. Revenues where the amount is not measurable until received in cash are:

a. Licenses and fees

b. Principal portion of loan repayments

c. Cash sales of goods and services

106. Recognize revenue in proprietary funds and fiduciary funds using the accrual basis of accounting. Under the accrual basis of accounting, agencies recognize revenue in the period in which they earn it and it becomes measurable.

107. The receivable associated with revenue that is "measurable and available" as described in 102 is a current receivable of the governmental fund, while the remainder is a long-term receivable of the governmental fund. However, for government-wide financial statement reporting purposes, the current portion of certain receivables (taxes, for example) is that portion expected to be collected within one year of the balance sheet date. For this reason, an agency may need additional entries in the government-wide reporting fund to reflect these receivables properly.

Recognizing Revenue – Nonexchange Transactions

108. Recognize nonexchange transactions based on the class and characteristics of the transaction. It is necessary to analyze the substance of the transaction to determine the applicable class of nonexchange transaction. Recognize nonexchange transactions in the financial statements unless they are not measurable or collection is not probable.

109. In addition to specific recognition criteria for each type of nonexchange transaction, recognize revenues and expenditures of nonexchange transactions in governmental funds using the modified accrual basis of accounting and in proprietary funds and fiduciary funds using the accrual basis of accounting.

110. Since recognition of nonexchange revenue in governmental funds is not until it is available, it is possible that recognition of the related asset (cash or receivable) will be before the revenue. In this case, offset the asset with deferred revenue. Until satisfaction of all recognition requirements, providers report cash or other assets provided in advance as advances (assets) and recipients report deferred revenues (liabilities).

111. Derived tax revenues result when a governmental entity imposes a tax on an exchange transaction. Personal and corporate income taxes, motor fuels taxes, and other assessments based on earnings or consumption are all examples of derived tax revenues. Recognize derived tax transactions when the underlying exchange has occurred. Report revenues net of estimated uncollectible amounts and estimated refunds payable.

112. Imposed nonexchange transactions result when a governmental entity imposes an assessment on a nongovernmental entity and the bases the assessment on something other than an exchange transaction. Inheritance taxes, fines, and penalties are examples of imposed nonexchange transactions. Recognize imposed nonexchange transactions as soon as there is an enforceable legal claim to the resources. There is generally an enforceable legal claim when the agency has legislative authority to impose and collect the tax or fine. Report imposed nonexchange revenues net of estimated uncollectible amounts.

113. Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level. The provider government requires that the receiving government use the resources provided for a specific mandated program. Fulfillment of eligibility requirements is generally also required. A federal grant for a federally mandated program is included in this class of nonexchange transactions.

114. Voluntary nonexchange transactions result from legislative or contractual agreements, other than exchanges, entered into willingly by two or more parties. The provider frequently establishes purpose restrictions and eligibility requirements. Certain grants and entitlements as well as most donations fall into this category.

115. Recognize both government-mandated and voluntary nonexchange transactions only upon fulfillment of all eligibility requirements.

Eligibility Requirements

116. Eligibility requirements are conditions established by the provider that recipients must meet before the provider will make funds available. Recognize government-mandated and voluntary nonexchange transactions only when all eligibility requirements are satisfied. Requirements may consist of one or more of the following

- *Required characteristics of recipients*. The provider targets resources to a specific group. Government-mandated nonexchange transactions usually have this type of eligibility requirement (for example, a federal program that specifies recipients must be states and they must pass a portion of the funds on to secondary recipients who must be school districts).

- *Time requirements*. The provider specifies that the recipient must use the resources for a particular period or may not use them until a particular period.

- *Reimbursements*. The provider offers resources on a reimbursement basis; recipients cannot qualify for resources without first incurring allowable costs under the program.

- *Contingencies.* These apply to voluntary nonexchange transactions only. The provision of resources is contingent on a specific action of the recipient (for example, to raise an equal amount of money or contribute matching funds).

117. Do not consider routine administrative tasks such as filing claims for reimbursements and filing progress reports as eligibility requirements. Do not delay recognition of nonexchange transactions for these types of tasks.

Time Requirements

118. When a government is the resource provider for a government-mandated or voluntary nonexchange transaction, and there is no explicit time requirement, the applicable period is the immediate provider's fiscal year.

For example: A government with a September 30 fiscal year end provides resources to a government with a June 30 fiscal year end. The recipient government recognizes a receivable on October 1, the beginning of the provider's fiscal year.

119. When resources are provided before the time (or other eligibility) requirements have been met, the provider records the disbursement as an asset (advance to recipients), and the recipient records the receipt as deferred revenue.

Time Requirement Exceptions – Endowments and Donations of Works of Art

120. Endowment-related resources are resources the provider gives with the stipulation (time requirement) that the recipient may not sell, use, or disburse them until after a specified number of years or the occurrence of a certain event. The recipient reports these resources as assets and revenues when received, provided the recipient has met all other eligibility requirements.

121. For *capitalized* collections, recognize donations of works of art, historical treasures, and similar assets as assets and revenues (donations and grants) when received, provided all eligibility requirements other than time requirements have been met.

122. For *noncapitalized* collections, recognize donations of works of art, historical treasures, and similar assets as revenue, along with an equal amount of program expense.

Purpose Restrictions

123. Purpose restrictions specify how recipients must use the resources. They do not affect the timing of recognition of nonexchange transactions. When purpose restrictions apply to the use of nonexchange revenues, until the recipient actually uses the funds for their intended purpose, the recipient reflects them as a restriction of fund balance (governmental funds) or net position (proprietary funds).

Subsequent Inability to Meet Eligibility Requirements or Purpose Restrictions

124. It may become apparent after recognition of a nonexchange transaction that the provider will not grant resources as originally anticipated, or that the recipient will have to return resources to the provider. This could be because eligibility requirements related to government-mandated or voluntary nonexchange transactions are no longer being satisfied, or because the recipient will not satisfy the purpose restrictions within the time period specified. When it is probable that either resources will not be provided, or resources will have to be returned:

   a. The provider government must recognize as revenue the amount of the resources they will not provide but that they have already recognized as expenses/expenditures or the amount of resources already provided that they expect to be returned.

   b. The recipient government must recognize as an expense/expenditure the amount of resources that have been provided that must be returned or the amount of resources promised (and already recognized as revenue) that will not be provided.

Food Stamps

125. Recognize food stamp expenditures when the benefits (cash or food stamps) are distributed. In an electronic benefit transfer (EBT) system, distribution takes place when the individual recipients use the benefits.
126. Recognize food stamp revenue at the same time as the expenditures.

Deferred Revenue – Exchange and Nonexchange Revenues

127. In governmental funds, deferred revenue is revenue that is "measurable but not available." Agencies should defer revenue in governmental funds when they receive the revenue in advance and there is a legal restriction on its use for current period expenditures. When agencies receive revenue in advance and there are no restrictions on its use, agencies should record the revenue when they receive the cash.

128. In proprietary funds, deferred revenue is revenue that is measurable but not earned. Agencies should defer revenue when they receive it in advance of a completed earnings process. Generally, the earnings process is complete upon either the delivery of goods or services or the compliance with laws or regulations associated with the revenue.

129. For example, defer revenue

    a. When receipt of government-mandated or voluntary nonexchange revenues is before satisfaction of all eligibility requirements.

    TC 164: To record deferred revenues.

DR 0065 Unreconciled Deposit	1,000	
DR 3200 GAAP Revenue Offset (C/O XXXX)	1,000	
CR 1603 Deferred Revenue - Non Doc Supported		1,000
CR 3100 Revenue Control-Cash (C/O XXXX)		1,000

    b. When accrued revenue associated with receivables in governmental funds is not available at fiscal year end. For financial reporting purposes, Statewide Accounting and Reporting Services (SARS) reclassifies a portion of the balance in Nonspendable Fund Balance for Long-term Receivables to deferred revenue during financial statement compilation.

Recognizing Revenue in the Hands of an Agent

130. Unless considered deferred revenue, record money collected by an agent when received in cash by the agent. For nonexchange revenues, base recognition on the criteria appropriate to that class of revenue: either derived tax or imposed nonexchange revenue. At June 30 of each fiscal year, accrue amounts that are measurable and available (governmental funds) or earned but not collected (proprietary funds).

131. Fishing and hunting licenses and boat licenses are examples of cash receipts collected by agents external to the State. The agency receiving the monies from the agent accrues as revenue for the fiscal year any cash receipts collected and in the hands of the agent at June 30. Accrue the amount received from the agent as of the filing date required in the agency's law, administrative rule, or contract.

TC 436: To establish a receivable and accrue revenue at year end (auto reverses).

DR 0503 Accounts Receivable-Other Unbilled	1,000	
CR 3105 Revenue Control-Financial Statement Accrual		1,000

Recording Taxes Receivable - pertains to Department of Revenue (DOR) only

132. Although income taxes withheld from employee wages by corporations and other entities are estimates of the actual personal income tax liability owed to the State, DOR recognizes the withholdings as revenue, net of estimated refunds, in the accounting period in which it becomes measurable and available. Accordingly, each fiscal year end, DOR makes an accrual to recognize revenue for all payroll and personal income taxes assessed as of June 30 that they expect to receive on or before September 30 of the same year. DOR reduces the accrual by estimated uncollectible amounts and estimated refunds payable as of June 30. Following are examples of recording short-term and long-term taxes receivable in a governmental fund.

TC 436: To accrue personal income tax revenue (auto-reverses).

DR 0410 Taxes Receivable-Current	1,000	
CR 3105 Revenue Control-Financial Stmt Accrual (C/O 0111)		1,000

TC 436R: To record estimated uncollectible taxes as of June 30 (auto-reverses).

DR 3105 Revenue Control-Financial Stmt Accrual (C/O 0111)	200	
CR 0411 Allowance for Uncollectible Taxes-Current		200

TC 907: To record estimated refunds payable as of June 30 (auto-reverses).

DR 3105 Revenue Control-Financial Stmt Accrual (C/O 0111)	300	
CR 1215 Accounts Payable		300

TC 452: To accrue long-term taxes receivable.

DR 0420 Taxes Receivable-Noncurrent	10,000	
CR 3037 Nonspendable FB-Other NC Receivables		10,000

TC 452R: To record estimated uncollectible long-term taxes receivable

DR 3037 Nonspendable FB-Other NC Receivables	1,000	
CR 0937 Allowance for Uncollectible Taxes-Noncurrent		1,000

Revenue in Suspense Accounts

133. If an agency deposits money in a suspense account and determines the actual revenue source later, the agency must reclassify the suspense liability into specific revenue accounts as of the end of the fiscal year. This will ensure the state's financial statements report revenue appropriately.

Merchant Fees

134. Merchant fees are discount fees paid by agencies to financial institutions. Financial institutions charge merchant fees, which generally are a small percentage of each credit card transaction, when accepting credit card payments. Record merchant fees as an expense in comptroller object 4730 and record the related credit card revenue at the gross amount.

Collection Fees

135. Agencies should follow the guidelines provided in OAM chapter 35, Accounts Receivable Management, to determine when to refer accounts receivable to a collection agent. When an agency refers a **governmental fund** receivable to a collection agent, the agency should no longer consider the revenue available. Thus, agencies should reclassify the current accounts receivable to noncurrent and reduce revenue.

136. For example, 90 days after establishing a $1,000 accounts receivable in a governmental fund with transaction code 103, an agency refers the account to a collection agent. Accounting entries applicable in this scenario include:

TC 107R: To remove the current accounts receivable and reduce revenue.

DR 3101 Revenue Control-Accrued (C/O 0407 Other Chgs for Svcs)	1,000	
CR 0501 Accounts Receivable Other–Billed		1,000

TC 452: To establish long-term receivable (revenue is not available).

DR 0935 Other Receivables-Noncurrent	1,000	
CR 3037 Nonspendable FB-Other NC Receivables		1,000

137. Collection fees are amounts paid to collection agents for the cost of collecting accounts receivable. Agencies may hire either the Department of Revenue or a private collection firm to pursue collection of past due accounts receivable. Collection agents generally charge a percentage of each accounts receivable balance, although they may agree upon a specific dollar amount.

138. If the agency is absorbing the collection fees, the agency records an expense and records the related revenue at the gross amount. Agencies use specific comptroller objects to track the cost of collection agents: 4720 if collected by the Department of Revenue and 4725 if collected by a private collection agent.

139. For example: If an agency referred a $1,000 accounts receivable to a private collection firm that charged a 10 percent fee, the agency would record the following entries (assume a governmental fund and they reclassified the receivable per paragraphs 135 and 136).

TC 143: To record collection of an accounts receivable.

DR 0065 Unreconciled Deposit	1,000	
DR 3037 Nonspendable FB-Other NC Receivables	1,000	
CR 0935 Other Receivables-Noncurrent		1,000
CR 3100 Revenue Control-Cash (C/O 0407 Other Chgs for Svcs)		1,000

TC 222: To record payment of collection fee to private firm.

DR 3501 Expend Cntrl-Accrued (C/O 4725 Coll Fees-Prvt Agent)	100	
CR 1211 Vouchers Payable		100

140. If an agency referred a $1,000 accounts receivable to the Department of Revenue and paid a 10 percent fee, when the agency receives the $900 net payment from DOR, the agency would record the following entries to reflect the gross receivable and collection fee amounts (assume a **proprietary fund** and the receivable is still on the books).

TC 176: To record collection of an accounts receivable.

DR 0065 Unreconciled Deposit	1,000	
DR 3101 Rev Cntrl-Accrued (CO 0407 Other Chgs for Svcs)	1,000	
CR 0501 Accounts Receivable Other-Billed		1,000
CR 3100 Revenue Control-Cash (CO 0407 Other Chgs for Svcs)		1,000

TC 172R: To record payment of collection fee to Department of Revenue.

DR 3500 Expend Cntrl-Cash (CO 4720 Collection Fees - DOR)	100	
CR 0065 Unreconciled Deposit		100

141. If the agency is adding the collection cost to the debt when using a private collection firm and the collection firm remits only the amount of the original debt to the agency, do not record the collection fee.

142. If the agency is adding the collection cost to the debt when using a private collection firm, the debtor may mistakenly send the payment to the agency. In this case, the agency posts the entire amount to the receivable, increases the receivable by the amount of the collection fee to clear the negative balance, recognizes the entire amount as revenue, and then offsets the additional revenue when paying the collection firm.

143. For example: If an agency referred a $1,000 accounts receivable to a private collection firm that charged a 10 percent fee which is passed on to the debtor, and the debtor mistakenly sends the payment to the agency, the following entries would be recorded (assume a governmental fund and the receivable has been reclassified per paragraphs 133 and 134).

TC 143: To record collection of an accounts receivable.

DR 0065 Unreconciled Deposit	1,100	
DR 3037 Nonspendable FB-Other NC Receivables	1,100	
CR 0935 Other Receivables – Noncurrent		1,100
CR 3100 Revenue Control-Cash (CO 0407 Other Chgs for Svcs)		1,100

TC 452: To clear the negative receivable created above.

DR 0935 Other Receivables – Noncurrent	100	
CR 3037 Nonspendable FB-Other NC Receivables		100

TC 220: To record payment of collection fee to private firm.

DR 3101 Rev Cntrl-Accrued (CO 0407 Other Chgs for Svcs)	100	
CR 1211 Vouchers Payable		100

Uncollectible Revenues

144. Report revenues net of estimated uncollectible amounts. Record receivables at gross and record the estimated uncollectible accounts in both governmental and proprietary funds with the following separate entry to the applicable contra-account.

TC 127: To record estimated uncollectible revenue associated with current receivables in proprietary funds and governmental funds.

DR 3101 Revenue Control-Accrued	1,000	
CR 0502 Allowance for Uncollectible Accounts-Current		1,000

TC 462: To record estimated uncollectible revenue associated with noncurrent receivables in proprietary funds.

DR 3200 GAAP Revenue Offset	1,000	
CR 0934 Allowance for Uncollectible Accounts-Noncurrent		1,000

TC 452R: To record an estimated uncollectible for noncurrent receivables in governmental funds.

DR 3037 Nonspendable FB-Other NC Receivables	1,000	
CR 0934 Allowance for Uncollectible Accounts-Noncurrent		1,000

145. The following accounting entries may be used to write off receivables that cannot be collected in both governmental and proprietary funds.

TC 129/130: To write off an uncollectible current accounts receivable.

DR 0502 Allowance for Uncollectible Accounts-Current	1,000	
CR 0501 Accounts Receivable-Other Billed		1,000

TC 445: To write off an uncollectible noncurrent receivable.

DR 0934 Allowance for Uncollectible Accounts-Noncurrent	1,000	
CR 093X Noncurrent Receivable		1,000

Insurance Recoveries

146. Recognize insurance recoveries only when realized (received) or when realizable (a claim is pending for which the insurer has admitted or acknowledged coverage). Revenues are realized when products (goods or services), merchandise, or other assets are exchanged for cash or claims to cash. Revenues are realizable when assets received or held are readily convertible to cash. Insurance recoveries realized or realizable are usually measurable and available.

147. With the exception of insurance recoveries realized or realizable in the same fiscal year as a capital impairment loss, record all insurance recoveries using comptroller object 7511, Insurance Recovery Subsequent to Loss. The GAAP level profiles (D08) established for comptroller object 7511 ensure that SARS reports insurance recoveries in accordance with GAAP, even though agencies treat insurance recoveries as a reduction of expense for budgetary purposes. The following entries are applicable to insurance recoveries other than those related to impairments of capital assets, such as for theft or embezzlement of cash or other monetary assets.

TC 172: To record receipt of insurance recovery in governmental, proprietary, or fiduciary funds.

DR 0065 Unreconciled Deposit	1,000	
CR 3500 Expenditure-Cash (C/O 7511)		1,000

TC 904 – To accrue estimated insurance recoveries realizable at fiscal year-end by recording a reduction of expense.

DR 0503 Accounts Receivable – Other Unbilled	3,000	
CR 3505 Expenditure – Financial Statement Accrual (C/O 7511)		3,000

Alternately, agencies may record receivables for realizable insurance recoveries using generic **TC 135** (billed) and then adjust them using **TC 136** (billed).

148. When an agency receives an insurance recovery other than one associated with a capital asset impairment in the same fiscal year as the loss, SARS uses information provided by agencies on year-end disclosure forms to report the loss net of the insurance recovery, in accordance with GAAP. SARS also uses information provided by agencies on year-end disclosure forms to assess whether to report an insurance recovery as an extraordinary item.

149. For accounting guidance regarding insurance recoveries related to capital asset impairments, refer to **OAM 15.60.25**.

Other Items

150. GAAP require separate display of certain items in the financial statements. In order to ensure that SARS reports these items properly, they have distinct comptroller objects. Record the following items using the comptroller objects indicated:

- Contributions to Permanent Funds 2400
- Extraordinary Items 2450
- Special Items 2500
- Capital Contributions 2550

Financial Statement Presentation

151. Governmental funds present revenues in the statement of revenues, expenditures, and changes in fund balances by major source. The statement presents other increases in financial resources such as transfers to or from other funds, long-term debt issued, and leases incurred in the “other financing sources (uses)” section of the financial statement.

152. The fiduciary funds statement of changes in fiduciary net position reports revenues as additions to net position.

153. The proprietary funds statement of revenues, expenses, and changes in fund net position segregates revenues into **operating revenues** and **nonoperating revenues**, classified by major source.

154. Operating revenues generally result from providing services and producing or delivering goods. Operating revenues include revenue from the sale of goods or services, revenue from internal service operating transactions, interest income from program loans collected as part of a governmental program (not intended to be investments), grants for specific activities that are operating activities of the grantor government, as well as revenue from taxes, fines, fees, and penalties. Operating revenues may include investment income only if investing activities are a primary function of the agency.

155. The proprietary fund statement of revenues, expenses, and changes in fund net position presents nonoperating revenues below operating income and includes items not directly associated with agency operations such as investment income and gain on the disposition of assets. The statement reports capital contributions, special items, extraordinary items, and transfers to and from other funds separately and in this order after the net total of nonoperating revenues and expenses.

156. The government-wide statement of activities recognizes revenues on the accrual basis of accounting and categorizes them as either **program revenues** or **general revenues**. The statement reports contributions to endowments and permanent funds as well as special items, extraordinary items, and transfers to and from other funds separately, and in that order, below general revenues. The statement reports net cumulative effect of a change in accounting principle as a restatement of beginning net position.

157. The government-wide statement of activities further categorizes program revenues into charges for services, operating grants and contributions, or capital grants and contributions. Charges for services are amounts received from parties who purchase, use, or directly benefit from a program. Contributions and grants include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program. Capital contributions and grants are contributions and grants that are restricted to capital acquisition or construction. All other contributions and grants are operating contributions and grants. Earnings on investments that are legally restricted for a specific program are also program revenues (operating contributions and grants). The statement of activities presents program revenues as a reduction to the cost of the program or function that generated the revenue. General revenues are all revenues that do not qualify as program revenues. All taxes, even those levied for a specific purpose, are general revenues, and the statement reports them by type of tax.

Required Disclosures

158. The notes to the financial statements must specify and define the basis of accounting and measurement focus applied to each fund type. This includes a definition of “measurable and available” and a description of the primary revenue sources considered "susceptible to accrual" under the modified accrual basis of accounting.

159. Balances of receivables reported on the statement of net position and the balance sheet may be aggregations of different components, such as balances due from taxpayers, other governments, or customers. When aggregation obscures significant components of receivables, the notes to the financial statements disclose details of the various types of receivables. Balances of receivables may also have different liquidity characteristics. The notes to the financial statements also disclose significant receivable balances not expected to be collected within one year of the date of the financial statements.

160. If not apparent from the face of the financial statements, the notes must disclose the amount and financial statement classification of insurance recoveries included in the financial statements.

161. The notes to the financial statements disclose nonexchange transactions, including grants, taxes, and contributions that agencies did not recognize because they are not measurable.

162. If specific revenues have been formally committed to directly collateralize or secure debt issued by the state, or to directly or indirectly collateralize or secure debt of a component unit, the notes must disclose the following information for each period that the secured debt remains outstanding.

a. Identification of the specific revenue pledged and the approximate amount of the pledge

b. Identification of, and general purpose for, the debt secured by the pledged revenue

c. The term of the commitment – that is, the period during which the revenue will not be available for other purposes

d. The proportion of the specific revenue stream pledged (if possible to estimate)

e. A comparison of the pledged revenue recognized during the period to the principal and interest requirements for the debt collateralized by those revenues

163. The chart below summarizes the classes and timing of recognition of nonexchange transactions.

Summary Chart – Nonexchange Transactions
Classes and Timing of Recognition of Nonexchange Transactions

Class Description	Recognition – Full Accrual	Recognition – Modified Accrual
Derived tax revenues: Assessments imposed by government on exchange transactions. **Examples:** Sales tax Personal income tax Corporate income tax	**Assets*:** Period when underlying exchange has occurred or when resources are received, whichever is first. **Revenues:** Period when underlying exchange has occurred. Report advance receipts as deferred revenues.	**Assets*:** Period when underlying exchange has occurred or when resources are received, whichever is first. **Revenues:** Period when underlying exchange has occurred and resources are available. Report advance receipts as deferred revenues.
Imposed nonexchange revenues: Assessments imposed by government on nongovernmental entities and on other than exchange transactions. **Examples:** Inheritance tax Most fines and forfeitures	**Assets*:** Period when an enforceable legal claim has arisen or when resources are received, whichever is first. **Revenues:** Same period the assets are recognized unless the enabling legislation includes time requirements (and if so, period when resources are required to be used or first period that use is permitted).	**Assets*:** Period when an enforceable legal claim has arisen or when resources are received, whichever is first. **Revenues:** Same period the assets are recognized unless the enabling legislation includes time requirements (and if so, period when resources are required to be used or first period that use is permitted). Resources must also be available.
Government-mandated nonexchange transactions: Government at one level provides resources to government at a different level and requires the recipient to use the resources for a specific purpose. **Examples:** Federal government mandates on state and local governments **Voluntary nonexchange transactions:** Legislative or contractual agreements other than exchanges entered into willingly by all parties. **Examples:** Certain grants and entitlements; most donations	**Assets* and liabilities:** Period when all eligibility requirements have been met or (for asset recognition) when resources are received, whichever is first. **Revenues and expenses:** Period when all eligibility requirements have been met. Report advance receipts or payments for use in the following period as deferred revenues or advances, respectively. However, when a provider precludes the sale, disbursement, or consumption of resources for a specified number of years, until a specified event has occurred, or permanently, report revenues and expenses when the resources are respectively received or paid and report resulting net position and equity as restricted.	**Assets* and liabilities:** Period when all eligibility requirements have been met or (for asset recognition) when resources are received, whichever is first. **Revenues and expenditures:** Period when all eligibility requirements have been met. For revenue recognition, resources must also be available. Report advance receipts or payments for use in the following period as deferred revenues or advances, respectively. However, when a provider precludes the sale, disbursement, or consumption of resources for a specified number of years, until a specified event has occurred, or permanently, report revenues and expenditures when the resources are respectively received or paid and report resulting net position and fund balance as restricted.

*If there are purpose restrictions, report restricted net position (equity) or, for governmental funds, a restricted fund balance.

OREGON ACCOUNTING MANUAL

<table>
<tr><td rowspan="2">DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

STATEWIDE POLICY</td><td>NUMBER

15.40.00</td><td>SUPERSEDES

15.40.00 PO
15.40.00 PR
dated 07/01/2001
and 02/08/2002</td></tr>
<tr><td>EFFECTIVE DATE

09/10/2018</td><td>PAGE NUMBER

Pages 1 of 7</td></tr>
<tr><td>Division
Chief Financial Office

Policy Owner
Statewide Accounting and Reporting Services</td><td colspan="2">REFERENCE/AUTHORITY

ORS 279C.570
ORS 293.462
ORS 291.015
ORS 293.590
GASB Codification Section 1100
GASB Codification Section 1500
GASB Interpretation No. 6
GASB Statement No. 33
GASB Statement No. 34</td></tr>
<tr><td>SUBJECT
Accounting and financial reporting – Expenses, Expenditures, and Payables</td><td colspan="2">APPROVED SIGNATURE

George Naughton, Chief Financial Officer
Signature on file</td></tr>
</table>

PURPOSE
This policy provides guidance on accounting and financial reporting related to expenses, expenditures, and payables to vendors, applicable to exchange transactions and nonexchange transactions involving financial or capital assets.

APPLICABILITY
This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

FORMS/EXHIBITS/INSTRUCTIONS
None.

DEFINITIONS
Click here for **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS
This policy does not apply to interfund and interagency transactions. Refer to OAMs **15.45.10**, **15.45.20**, **15.45.30**, and **35.70.10** for that guidance.

POLICY

101. Expenses/Expenditures and payables should be accounted for in accordance with generally accepted accounting principles (GAAP). Expenses/Expenditures and payables resulting from different types of transactions should be accounted for using the appropriate guidance. Agencies are responsible to analyze the nature of their transactions and use applicable guidance provided in this policy and the accompanying procedure.

102. GAAP requires that liabilities and expenses be recognized using the economic resources measurement focus and the accrual basis of accounting in proprietary funds and fiduciary funds as well as in the government-wide financial statements. Expenses and liabilities resulting from exchange transactions should be recognized when the exchange takes place. Expenses and liabilities arising from nonexchange transactions should be recognized when all eligibility requirements have been met. See **OAM 15.35.00** for a more detailed discussion of nonexchange transactions.

103. Governmental funds recognize liabilities and expenditures using the modified accrual basis of accounting. Liabilities are recognized to the extent that they are normally expected to be liquidated with available financial resources. Most expenditures are recognized when the related liability is incurred. However there are several exceptions to this general rule.

104. In the absence of an explicit requirement to do otherwise, governmental fund liabilities and expenditures should be accrued. Liabilities that governments normally pay in a timely manner and in full from current financial resources, for example salaries and utilities, should be recognized when incurred, without regard to the extent to which resources are currently available.

105. Agencies are responsible to pay vendors and contractors in a timely manner. When paying past due invoices, payment of interest charges shall not exceed limits established by statute.

PROCEDURES

Liability Recognition

106. In governmental funds, liabilities are recognized only to the extent they are normally expected to be liquidated with available financial resources. Accordingly, the following liabilities are not reported in governmental funds, but are reported as general long-term liabilities in the government-wide reporting fund only:

   a. Unmatured principal of long-term debt, such as bonds, notes, or capital leases.
   b. Accrued interest on long-term debt.
   c. Liabilities related to compensated absences, claims and judgments, or special termination benefits when not payable from current financial resources.
   d. Liabilities associated with operating leases containing scheduled rent increases.

107. Liabilities that will be paid with available financial resources are current liabilities of the governmental fund. Liabilities that will not be paid with available financial resources are considered general long-term liabilities of the government and are reported only in the government-wide reporting fund. However, for government-wide financial statement reporting purposes, the current portion of certain liabilities, compensated absences for example, will be that portion that is expected to be paid within one year of the balance sheet date rather than the portion to be paid with current financial resources. For this reason, additional entries may be needed in the government-wide reporting fund to properly reflect these liabilities.

108. In proprietary funds and fiduciary funds, liabilities should be recognized when incurred.

109. When a state agency is the provider in either a government-mandated nonexchange or voluntary nonexchange transaction, the agency should recognize a liability as soon as the recipient meets all eligibility requirements.

110. When a state agency is the recipient in either a government-mandated nonexchange or voluntary nonexchange transaction, it is possible that, as a result of failing to continue to comply with eligibility requirements or purpose restrictions, the agency is no longer entitled to resources that

have already been recognized in the financial statements. In this case, the agency should recognize an expense and a liability for the amount of resources that the provider is expected to reclaim or cancel.

Recognition of Expenses or Expenditures

111. Expenses are recognized in proprietary and fiduciary funds as soon as the related liability is incurred, regardless of the timing of the related cash flow. The same is also generally true for expenditure recognition in governmental funds. However, under modified accrual accounting used in governmental funds, there are several exceptions to this general rule. At fiscal year-end, liabilities and the related expenditures may be accrued with the following entry:

TC 437 To establish expenditure accrual (auto reverses)

DR 3505 Expenditure Control – Financial Statement Accrual	XXX	
CR 1215 Accounts Payable		XXX

112. Some expenditures are recognized in governmental funds only when due and payable (matured). These typically are related to general long-term indebtedness and include:

a. Debt service principle and interest payments on formal debt issues.
b. Compensated absences.
c. Claims and judgments.

113. Financial resources that have been accumulated for eventual payment of the unmatured portion of the liabilities in paragraph .111 does not represent an outflow of current financial resources and therefore should not be recognized as an additional governmental fund expenditure or liability.

Prompt Payment

114. Invoices from vendors and contractors should be paid promptly. The date of the check or warrant is used to determine if the claim was paid timely. Overdue charges are recorded separately from other expenses or expenditures.

115. For private vendors providing goods and services, payment will be made within 45 days. Overdue charges are paid at a rate of two-thirds of one percent per month, not to exceed eight percent per annum. Overdue claims are those that have not been paid within 45 days from the latest of the following dates:

a. The date of receipt of the invoice.
b. The date of the initial billing statement, if no invoice is received.
c. The date the claim is made certain by agreement of the parties or by law.

116. For contractors performing on public contracts, payment will be made within 30 days. If not paid within 30 days, interest is paid on the amount due the contractor, not including retainage. Overdue charges are paid at a rate of three times the discount rate on 90-day commercial paper in effect at the Federal Reserve Bank, not to exceed thirty percent. The date from which interest shall be calculated is the earlier of the following dates:

a. Thirty days after receipt of the invoice from the contractor.
b. Fifteen days after the payment is approved by the agency.

Merchant Fees

117. Merchant fees are discount fees paid by agencies to financial institutions. Financial institutions charge merchant fees, which generally are a small percentage of each credit card transaction, when accepting credit card payments. Merchant fees should be recorded as an expense in comptroller object 4730 and the related credit card revenue should be recorded at the gross amount.

Credit Card Surcharges

118. Merchants are allowed, but not required, to charges customers a credit card surcharge equal to the cost of accepting credit cards. If charged, the merchants are required to identify the credit card surcharge on the receipt. If agencies are charged a credit card surcharge when using their SPOTS cards to pay for goods and services, the surcharge shall be recorded separately, using comptroller object 4735.

Collection Fees

119. Collection fees are amounts paid to collection agents (Department of Revenue or private collection firm) for the cost of collecting accounts receivable. Collection agents generally charge a percentage of each accounts receivable balance, although a specific dollar amount may be agreed upon. In the event that collection fees are withheld from the amount remitted to a state agency and the state agency does not charge the debtor the collection fee, account for the transaction in accordance with paragraphs 120 and 121 below. Use comptroller object 4720 if the fee is charged by the Department of Revenue and comptroller object 4725 if the fee is charged by a private collection firm.

120. If an agency referred a $1,000 accounts receivable to Department of Revenue that charged a 10 percent collection fee ($100), and resulted in a net remittance of $900, the following entries would be recorded when collection fees are recorded as an expense (assume the receivable is in SFMA):

TC 176 To record collection of an accounts receivable

DR 0065 Unreconciled Deposit	1,000	
DR 3101 Revenue Control-Accrued (CO 0407 Charges for Services)	1,000	
CR 0501 Accounts Receivable Other - Billed		1,000
CR 3100 Revenue Control-Cash (CO 0407 Charges for Services)		1,000

TC 222 To record payment of collection fee to Department of Revenue

DR 3501 Expenditure Control-Accrued (CO 4720 Department of Revenue)	100	
CR 1211 Vouchers Payable		100

121. If Department of Revenue referred the above mentioned $1,000 accounts receivable to a private collections firm that charged a 10 percent collection fee ($100), the private collection firm would remit the $900 to the Department of Revenue and Department of Revenue would send the $900 to the state agency. The following entries would be recorded when collection fees are recorded as an expense (assume the receivable is in SFMA):

TC 176 To record collection of an accounts receivable

DR 0065 Unreconciled Deposit	1,000	
DR 3101 Revenue Control-Accrued (CO 0407 Charges for Services)	1,000	
CR 0501 Accounts Receivable Other - Billed		1,000
CR 3100 Revenue Control-Cash (CO 0407 Charges for Services)		1,000

TC 222 To record payment of collection fee to a private collection firm

DR 3501 Expenditure Control-Accrued (CO 4725 Private Collection Firm)	100	
CR 1211 Vouchers Payable		100

Food Stamps

122. Food stamp expenditures should be recognized when the benefits (cash or food stamps) are distributed. In an electronic benefit transfer (EBT) system, distribution takes place when the individual recipients use the benefits.

Bad Debt Expense

123. Bad debt expense should be recorded only in conjunction with transactions in which there is no revenue associated with the receivable, for example loans receivable. For receivables that have an associated revenue, such as taxes receivable, uncollectible amounts should be reflected as a reduction of revenue rather than bad debt expense (see **OAM 15.35.00** for appropriate entries). In either case, the receivable should be recorded at gross amount, with an offsetting entry to Allowance for Doubtful Accounts reflecting the estimated uncollectible amounts. Bad debt expense may be recorded using the following entry:

TC 461R To record estimated uncollectible amounts when there is no revenue object associated with the receivable to reduce

DR 3600 GAAP Expenditure Offset (CO 7479 Bad Debt Expense)	XXX	
CR 0934 Allowance for Doubtful Accounts-Noncurrent		XXX

Administrative Hold Process

124. Agency management is responsible for determining whether a vendor payment shall be garnished. Further, agency management shall apply good judgment and independent thinking when determining not to garnish a vendor payment where otherwise allowed by law or regulation. When agency management determines that it will not garnish a vendor payment the agency must document the basis for its decision. Refer to **OAM 35.30.90** for additional information.

a. SFMS staff will inactivate the 51/52 profile screens for vendors on the Department of Revenue debtor list on a daily basis.

b. A/P staff receiving the error message of “Vendr Status Not “A”” when entering a transaction should look at the 52 screen.

i. If ‘*PLEASE CONTACT DOR*’ appears in the address section, determine if the payment is subject to garnishment. For example, **<u>worker’s compensation payments, unemployment benefits, and federal grant payments (whether paid to a subrecipient or contractor) are not subject to garnishments</u>**. Additional examples can be found in **ORS 18.845**. Federal fund payments that are not affiliated with a grant may be subject to garnishment.

   1. If the payment is not subject to garnishment, send a request to SFMS to temporarily activate the vendor.

   2. If the payment is subject to garnishment, notify Department of Revenue of the debtor/vendor match via Revenue Online.

ii. If Department of Revenue does not issue a garnishment, send a request to SFMS to temporarily activate the vendor.

iii. If Department of Revenue issues a garnishment, the paying agency will need to create mail code 444 for the vendor. (Mail code 444 is for payments collected by Department of Revenue for this specific process, do not use mail code 444 for any other garnishment process.) Notify SFMS when the mail code is ready to be activated.

   1. When completing the vendor payment transaction, the Garnish ID must be included in the invoice description field and must not use a future due date.

   2. State agencies must complete the garnishee response when processing a DOR garnishment. The garnishment will contain instructions on how to respond.

iv. Any vendor disputes shall be directed to Department of Revenue.

v. Agencies shall retain the garnishment paperwork as supporting documentation.

c. For directions to log on to Revenue Online and other information regarding the administrative hold process, access the Executive Order 17-09 Coordination of Vendor Payments training materials located within iLearn.

Other Items

125. GAAP requires that certain items be displayed separately in the financial statements. In order to ensure that these items are properly reported, separate comptroller objects have been assigned to them. The following items should be recorded using the comptroller objects indicated:

- Extraordinary Items 2450
- Special Items 2500

Financial Statement Presentation

126. In governmental funds, expenditures are presented in the statement of revenues, expenditures and changes in fund balances by function. Other decreases in financial resources such as transfers to other funds are presented in the “other financing sources (uses)” section of the financial statement special items and extraordinary items are presented separately after “other financing sources (uses)”.

127. In fiduciary funds, expenses are reported as deductions from net position in the statement of changes in fiduciary net position. In proprietary funds, expenses are reported in the statement of revenues, expenses and changes in fund net position. Proprietary fund expenses are segregated into operating expenses and nonoperating expenses and are classified by major category.

128. Operating expenses generally result from providing services and producing or delivering goods. Operating expenses include payments to acquire materials for providing goods or services, payment to employees for services, payment for distributions to other governments or organizations for specific activities that are considered to be operating activities of the grantor government, payment for internal service goods and services, as well as payment for interest on long-term debt.

129. Nonoperating expenses are presented below the line item for operating income and include items not directly associated with agency operations such as a loss on the disposition of assets. Reported separately after the net total of nonoperating revenues and expenses are capital contributions, additions to permanent and term endowments, special items, extraordinary items, and transfers to and from other funds.

130. In the government-wide statement of activities, expenses are reported by function except those that meet the definition of special or extraordinary items. Direct expenses of a function are those that are specifically associated with a specific service, program, or department and, thus, are clearly identifiable to a particular function. Special items, extraordinary items, and transfers to and from other funds are reported separately below general revenues.

Required Disclosures

131. The notes to the financial statements should specify the basis of accounting and measurement focus used in each fund type and in the government-wide financial statements.

132. The State's policy for defining operating and nonoperating revenues and expenses for proprietary funds must be disclosed in the summary of significant accounting policies. The summary must also disclose the State's policy for eliminating internal service fund activity in the government-wide statement of activities.

133. Note disclosure of information pertaining to long-term debt and other long-term liabilities is required by GAAP. Agencies will provide needed disclosure information to Statewide Accounting and Reporting Services (SARS) for financial statement note disclosure purposes. Agencies with audited financial statements should include disclosures required for long-term liabilities in the notes to their financial statements.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	**Number:** 15.41.00
Division:	Chief Financial Office	**Effective date**: September 16, 2014
Chapter:	Accounting and Financial Reporting	
Part:	Withholding from Non-state Entities	
Section:		
Approved:	George Naughton, Chief Financial Officer	Signature on file

PURPOSE: This policy provides guidance on accounting and financial reporting for the withholding of state payments or distributions from non-state entities.

AUTHORITY: **ORS 293.590**

APPLICABILITY: This policy applies to all state agencies included in the state's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

This policy does not apply to the withholding of funds for taxes and benefits that occur through Oregon Statewide Payroll System.

This policy does not apply to an intercept of funds that has been agreed to by contract, or is required by law, to secure the repayment of a borrowing by the State, a loan from the State or a borrowing by a local government, including, but not limited to an intercept under **ORS 328.284**, **328.346**, **238.698** or **470.180**.

DEFINITIONS: For purposes of this OAM, Authorizing Agency and Withholding Agency are defined as follows:

Authorizing Agency: The agency that issues the enforcement order, requesting the withholding of state payments or distributions.

Withholding Agency: The agency that withholds the state payments or distributions, at the request of the Authorizing Agency.

Click here for other **definitions**.

POLICY:

101. To qualify as an Authorizing Agency, the agency must have the statutory authority to withhold state payments or distributions, or request that other agencies withhold state payments or distributions, from a non-state entity.

102. The Authorizing Agency must obtain an enforcement order enabling them to request that withholding occur. The enforcement order should identify the following:

a. The non-state entity from which to withhold disbursements;
b. The amount to withhold; and
c. The date withholding is effective.

103. The Authorizing Agency is responsible to manage the withholding, which includes but is not limited to:

- Communicating with the non-state entity from which to withhold state payments or distributions.
- Determining which state payments or distributions are eligible for withholding.
- Notifying Withholding Agencies in writing of the enforcement order, specific payments or distributions to withhold, in addition to the information outlined in paragraph 102.
- Notifying Withholding Agencies in writing of any changes in the enforcement order.
- Notifying Withholding Agencies in writing when the enforcement order is terminated.
- Ensuring compliance with the enforcement order.
- Tracking the total amount withheld.
- Coordinating with Withholding Agencies when the total amount withheld approaches the amount authorized by the enforcement order.
- Maintaining documentation that complies with **OAM 10.15.00.PO**, *Transaction Documentation Requirements*.
- Providing other documentation to Withholding Agencies so that they may comply with OAM 10.15.00.PO.

104. If allowed by statute, the Authorizing Agency may recover the costs to administer the withholding from the amount withheld.

105. The amount withheld remains with the Withholding Agency until the Authorizing Agency notifies the Withholding Agency in writing to release the withheld payments or distributions.

PROCEDURES:

106. After an Authorizing Agency obtains an enforcement order, it determines what amounts are subject to withholding and requests the Withholding Agency in writing to withhold eligible payments or distributions. Eligible payments or distributions are generally identified by statute and may include these examples:

a. Cigarette tax
b. Liquor tax
c. Quarterly revenue sharing
d. Highway revenue apportionment

107. The Withholding Agency reports authorized withholdings by either:

a. Using a separate D23 fund that will be reported within D24 GAAP fund 6405, *Custodial Agency Funds,* which should be used if the amount withheld is significant; or

b. Using GL account 1551, *Deposit Liability-Without DF Support,* within the D23 fund which reports the disbursement activity.

108. The Withholding Agency accounts for the withholding in one of three ways:

a. Record the distribution as if the funds were actually going to the non-state entity, then receipt the funds back in, using T-code 162.

TC 162: Record receipt of deposit liability without doc support

DR 0065 Unreconciled Deposit
CR 1551 Deposit Liability – Without DF Support

This is appropriate in the scenario outlined in paragraph 107(a) above, since a Custodial Agency Fund is a fiduciary fund.

It would also be appropriate if the Withholding Agency needs to prepare a warrant for the amount of the withholding, so that other non-state entities are not impacted by the withholding.

b. If the distribution is typically recorded by the Withholding Agency as a reduction of revenue rather than an expense, use T-code 908.

TC 908: Charge revenue to deposit liability – No auto reverse

DR 3200 GAAP Revenue Offset (Applicable comptroller object)
CR 1551 Deposit Liability – Without DF Support

c. If the distribution is recorded as an expense by the Withholding Agency, use T-code 909R.

TC 909R: Charge expenditure to deposit liability – No auto reverse

DR 3600 GAAP Expenditure Offset (Applicable comptroller object)
CR 1551 Deposit Liability – Without DF Support

109. The Withholding Agency sends monthly reports to the Authorizing Agency detailing the amount withheld under the enforcement order. The Authorizing Agency determines the timing and format of the reports; see paragraph 103.

110. When the Authorizing Agency has notified the Withholding Agency in writing to release all or a portion of the amount withheld, account for the released amount using T-code 287.

TC 287: Return deposit liability to depositor – No doc support

DR 1551 Deposit Liability – Without DF Support
CR 1211 – Vouchers payable

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Procedure

OREGON ACCOUNTING MANUAL

SUBJECT:	Accounting and Financial Reporting	**Number:**	15.42.00
DIVISION:	Chief Financial Office	**Effective date:**	April 1, 2013
Chapter:	Accounting and Financial Reporting		
Part:	Federal Grants		
APPROVED:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy provides guidance on accounting and financial reporting for federal awards received by the State. This policy requires agencies that directly use **R*STARS** to use specific grant profiles for accounting and reporting of federal grants as outlined in this policy.

AUTHORITY:
ORS 293.590
ORS 291.015
ORS 291.040
Single Audit Act of 1984 as amended in 1996
Office of Management and Budget (OMB) Circular A-133

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

The policy applies to all agencies that receive and expend **federal awards**. Agencies that interface transactions to R*STARS are encouraged, but are not required, to use specific grant profiles, as outlined in this policy, for accounting and reporting of federal grants.

DEFINITIONS: **Federal awards** are federal financial assistance and federal cost-reimbursement contracts that non-federal entities (such as the State) receive directly from federal awarding agencies or indirectly from pass-through entities.

Click here for other **definitions**.

POLICY:

101. Agency management must ensure the proper accounting and reporting of federal grants received by their agency.

Required Grant Profiles

102. To comply with the provisions of the Single Audit Act, the State prepares a federal reporting package as required by **OMB Circular A-133**, *Audits of States, Local Governments, and Non-Profit Organizations*. As part of the federal reporting package, Statewide Accounting and Reporting Services (SARS) compiles a **Schedule of Expenditures of Federal Awards (SEFA)** annually based on data that agencies provide (see **OAM 30.10.00.PO**). In order to facilitate the

effective and efficient compilation of the SEFA, agencies that receive and expend federal awards must use the following grant profiles to account for their federal grants:

- D35 Grant Type
- D40 Grant Category
- D28 Grantor
- D47 Grant Number
- 029 Grant Control

Optional Profiles

103. Agencies may use the following lower level profiles for grant accounting, at their discretion: D48 Grant Object and 026 Program Cost Account.

Accounting for Grants

104. The SEFA reports expenditures on the same **basis of accounting** as the originating funds and must tie to expenditures recorded in the agency's accounting records. Generally, agencies account for federal grants in a **special revenue fund**; thus, the basis of accounting would be the **modified accrual basis of accounting**.

105. In order to ensure consistent accounting data, agencies must apply the standard accounting treatment for federal award transactions as outlined in the accompanying procedure.

106. Agencies must account for and report federal awards as federal revenues, regardless of how they are budgeted (i.e., federal funds budgeted as other funds) to ensure accurate reporting for the SEFA.

107. Agencies are encouraged to consider how the use of grant profiles will facilitate other types of reporting (in addition to SEFA reporting), such as periodic federal program reporting or managerial tracking and reporting of federal grants.

Reporting SEFA Data

108. Agencies will use a standard Hyperion query that is available through the Datamart Repository for annual SEFA reporting. Agencies are responsible for reviewing the data to ensure accuracy and completeness of the SEFA information for their agency.

PROCEDURE:

Using Required Grant Profiles

109. Agencies that receive and expend **federal awards** must use certain grant profiles to account for their federal grants in order to facilitate the efficient compilation of the annual SEFA. Two of these grant profiles are maintained at the statewide level, while the other three are established and maintained by each agency as noted below:

• D35 Grant Type	Maintained at the statewide level
• D40 Grant Category	Maintained at the statewide level
• D28 Grantor	Maintained by each agency
• D47 Grant Number	Maintained by each agency
• 029 Grant Control	Maintained by each agency

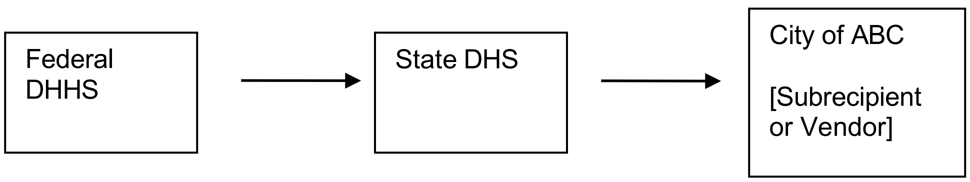
110. The Grant Type profile (D35) is a key element to ensure proper reporting of federal grant related transactions for SEFA reporting purposes. Selecting the appropriate grant type involves determining: 1) whether the grant is reimbursable or advanced, 2) whether the grant is a direct award or an indirect award, and 3) whether the federal funds are budgeted as Federal Funds or budgeted as Other Funds.

111. If an agency first incurs expenditures and then subsequently requests reimbursement from the federal agency, the grant is a *reimbursable grant*. If an agency requests funds from the federal agency before incurring expenditures, the grant is an *advanced grant*.

112. In order to select the appropriate grant type, it is necessary to determine if the grant is a direct award or an indirect award. The State receives federal funds in one of two ways: either *directly* from a federal agency or *indirectly* from a non-federal entity. Below is an illustration of a direct award:

Direct Award

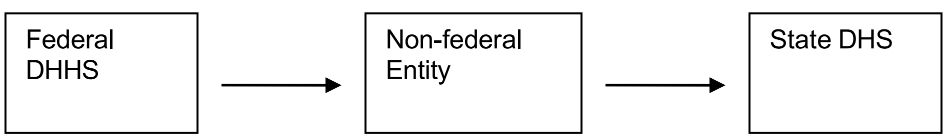
The State *receives* federal funds *directly from a federal agency* and sends the federal funds to a Subrecipient Organization or a Vendor.



Below is an illustration of an indirect award:

Indirect Award

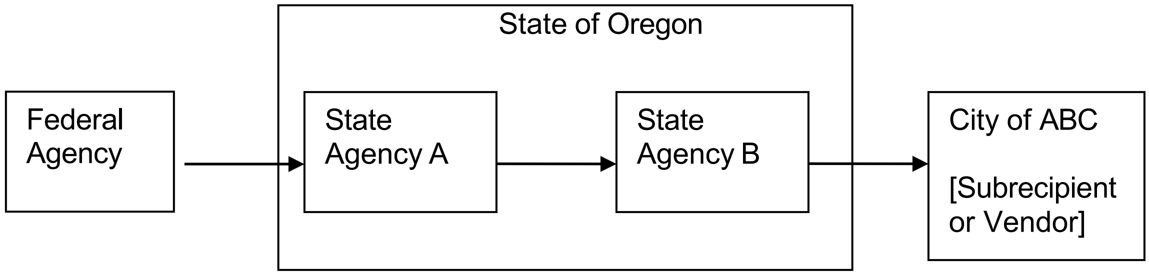
The State *receives* federal funds from a *non-federal entity* and expends the funds on a State program.



113. As used in this context, another state agency is not a *non-federal entity*. The State is *one entity* to the federal government; thus, movement of federal funds from one state agency to another is transparent for SEFA reporting purposes. Federal funds that Agency A receives from a federal agency, and then transfers to Agency B are a direct award to both Agency A and Agency B. Below is an illustration to show that this is a direct award.

Direct Award

The State *receives* federal funds *directly from a federal agency* and sends the federal funds to a Subrecipient Organization or a Vendor (even though the funds are first sent to Agency A and then transferred to Agency B). In this scenario, the grant is a direct award to the State; therefore, the Grant Type used by both Agency A and Agency B should reflect that the grant is a direct award.



Agency A: Reports *federal revenue* and a *transfer out* to Agency B.

Agency B: Reports a *transfer in* from Agency A and reports *federal expenditures* (which are reported as "direct expenditures" if monies are sent to a *vendor*, but are reported as "pass-through to subrecipient" if monies are sent to a *subrecipient*).

114. The following steps are essential when establishing the Grantor (D28), Grant Number (D47), and Grant Control (029) profiles and determining the appropriate Grant Type (D35) and Grant Category (D40) to code each federal grant:

a. Step 1: Research your federal grants to determine the appropriate Grant Type (D35) from the list below. Do not use Grant Type 03 or Type 04 for federal grants. In order to determine which grant type to associate with a grant received from another state agency, it is first necessary to find out whether the grant is a direct award or an indirect award *to the sending agency.* If the grant is a direct award to the sending agency, your agency should also consider the grant a direct award. If the grant is an indirect award to the sending agency, your agency should also consider the grant an indirect award. Then, determine how your agency budget categorizes the grant from the other agency (budgeted as federal funds, or budgeted as other funds) and whether the grant is reimbursable or advanced. Based on these three pieces of information, determine which grant type to associate with the grant received from another state agency by selecting the applicable grant type from the list below.

- Grant Type 01 = Federal grant – reimbursable (direct award)
- Grant Type 02 = Federal grant – advanced (direct award)
- Grant Type 05 = Indirect federal grant – reimbursable
- Grant Type 06 = Indirect federal grant – advanced
- Grant Type 07 = Federal as other funds – reimbursable (direct award)
- Grant Type 08 = Federal as other funds – advanced (direct award)
- Grant Type 09 = Indirect federal as other funds – reimbursable
- Grant Type 10 = Indirect federal as other funds – advanced

b. Step 2: Research your federal grants to determine the appropriate Grant Category (D40). The grant category defines the CFDA (Catalog of Federal Domestic Assistance) number and title of federal programs. All federal grant transactions must have a CFDA number for SEFA reporting purposes, even if a CFDA number for the federal program is not yet available. If no CFDA number exists for a particular grant, use a grant category formatted with the first two digits as the federal agency, followed by xxx (e.g., 20.xxx for a grant from the U.S. Department of Transportation). In addition, there are non-federal grants such as Grant category 99.997 Private Donations, 99.998 Non-federal/State Grants, and 99.999 Non-federal Grants. Non-federal grants must contain grant type 03 State Grant or 04 Other Grant.

c. Step 3: Establish the Grantor profile (D28). An agency must establish a separate grantor profile for every entity from which they receive federal funds (including another state agency). If an agency receives federal awards from multiple divisions or units within one federal agency, it is only necessary to establish a single grantor profile for the federal agency.

d. Step 4: Establish the Grant Number profile (D47). The grant number profile defines a grant number and an associated title for the grant. Agencies must establish a grant number profile for every federal grant. If federal funds for a given grant are budgeted as Other Funds and the agency has an Other Fund matching component, it is necessary to establish two different grant number profiles to track the federal expenditures separately from the Other Fund matching expenditures. The separate grant number profile for the Other Fund match will be tied to Grant Type 03 or 04 (non-federal). If federal funds for a given grant are budgeted as Federal Funds and the agency has an Other Fund or General Fund matching component, the agency may use a single grant number profile to track both the federal expenditures and the expenditures paid for with Other Funds or General Fund. In addition, if federal funds for a given grant are budgeted as Other Funds and the agency has a General Fund (only) matching component, the agency may use a single grant number profile to track both the federal expenditures and the General Fund expenditures. Associate each grant number profile with a specific grantor ID number (D28), Grant Category (D40) and Grant Type (D35). If no CFDA number exists for a particular grant, agencies must use the *award contract number* field (20 characters) to track the federal program.

e. Step 5: Establish the Grant Control profile (029). Agencies use the grant control profile to establish a phase for each grant, which is required to enter transactions related to federal grants. Associate each Grant Control Profile with a Grant Number (D47) profile.

115. Appendix A, an addendum to this procedure, describes each of the grant profiles listed above in 109. The purpose of the appendix is to assist agencies with understanding, establishing, and maintaining these profiles.

Standard Accounting Treatment

116. In order to ensure consistent accounting data for SEFA reporting, it is essential that all agencies that receive and expend federal awards handle similar accounting transactions in a consistent, standard manner. Agencies must record the following types of transactions in the manner described below:

a. When recording federal revenue *received either directly or indirectly*, agencies must record the revenue using the appropriate comptroller object. Use comptroller object 0300, Federal Revenue, for federal revenue whether the federal funds are budgeted as Federal Funds or as Other Funds. Record the federal revenue in a D23 fund with an appropriated fund that begins either with ‘6’ (federal source) or ‘3’ (for federal funds budgeted as other funds). Additional comptroller objects available to record federal revenue are 0355, Federal Revenue as Other Funds; 0360, Federal Revenue Service Contracts; and 0365, Build America Bonds Federal Credit.

b. When *sending* federal funds to another *state agency*, agencies must record the transaction as an interagency transfer using the applicable comptroller object, Transfer Out to Agency xxx (c/o 1430 and 1801 through 1915 or 6081 through 6197, excluding 6093). This does not apply when a state agency is a vendor of another state agency (see 117 through 121 below).

c. When *receiving* federal funds from another *state agency*, agencies must record the transaction as an interagency transfer using the applicable comptroller object, Transfer In from Agency xxx (c/o 1279 through 1400, excluding 1301, 1303 and 1356). In some cases, the receiving agency will budget federal funds as other funds; however, the transaction is still a Transfer In from Agency xxx. This does not apply when a state agency is a vendor of another state agency (see 117 through 121 below).

d. When *sending* federal funds to a **subrecipient**, agencies must record the distribution using one of the following comptroller objects, depending on the type of organization to which the federal funds are being sent:

- 1404 Transfer to Cities
- 1405 Transfer to Counties
- 1407 Transfer to Oregon Health and Science University (a component unit)
- 1408 Transfer to Non-Governmental Units
- 1435 Transfer Out to Semi Independent Agency
- 6093 Distribution to Oregon Health and Science University (a component unit)
- 6300 Distribution to Counties
- 6400 Distribution to Cities
- 6500 Distribution to Community College Districts
- 6600 Distribution to Local School Districts
- 6700 Distribution to Other Governments
- 6725 Distribution to Non-Governments
- 6726 Distribution to For-Profit Subrecipient
- 6727 Loans Made – Subrecipient Distribution
- 6730 Other Distributions to Subrecipients
- 6735 Distribution to Non-Profit Organizations
- 6740 Other Distribution to Taxable Subrecipient

e. An agency incurs a *direct expenditure* when it carries out the federal program, not when it passes federal funds through to another organization (subrecipient) that carries out the federal program. Direct expenditures plus amounts provided to subrecipients equals total expenditures reported in the SEFA for any given agency. Agencies may charge direct expenditures of federal funds to Personal Services comptroller objects, Services & Supplies comptroller objects, comptroller object 1456 Transfer Out – Indirect Cost Center, or one of the following Special Payment Comptroller Objects (do not use any of the comptroller objects listed in 116d above):

- 6800 Distribution to Individuals
- 6805 Client / Benefit Payments
- 6808 Distributions to Non-Employees
- 6810 Rental Assistance
- 6820 Payments to Counties
- 6821 Payments to Cities
- 6822 Payments to Community College Districts
- 6823 Payments to Local School Districts
- 6824 Payments to Other Governments
- 6826 Payments to Non-Governments
- 6850 Loans Made to Individuals
- 6875 Loans Made – Other
- 6893 Payments to OHSU
- 6900 Other Special Payments

- 6905 Loan Repayment on Behalf of Grant Subrecipients
- 6910 Distribution to Contract Service Provider
- 6950 Other Special Payments – Medical Services

f. For *distributions to subrecipients*, agencies must record a separate year-end accrual for each subrecipient, broken out by **CFDA n**umber, subrecipient organization and tax ID number, and grant number for SEFA reporting. The following transaction code allows for this level of detail:

TC 941 - Accrue distribution to subrecipient

DR 3505 Expenditure Accrual (use only comptroller objects shown in116d)
CR 1215 Accounts Payable or 1512 Due to Other Governments

Transaction code 941 will auto-reverse in the following month with transaction code 942.

g. For *direct federal expenditures*, agencies may record year-end accruals in a lump sum for each **CFDA** number, which must include a grant number for SEFA reporting. The following transaction code allows for this level of detail:

TC 437 - Accrue direct expenditure

DR 3505 Expenditure Accrual (use only comptroller objects allowed per 116e)
CR 1215 Accounts Payable or 1512 Due to Other Governments

Transaction code 437 will auto-reverse in the following month with transaction code 983.

Distinguishing Between Subrecipient vs. Vendor

117. In order to apply the standard accounting described in 116 and to report properly on the SEFA, it is essential that agencies determine when they are distributing federal funds to a *subrecipient* versus when they are using federal funds to pay a *vendor* for goods or services rendered. This distinction is also important because federal awards expended as a subrecipient are subject to audit (in accordance with **OMB Circular A-133**, *Audits of States, Local Governments, and Non-Profit Organizations*); however, payments received for goods or services provided as a vendor are not considered federal awards. Thus, this distinction determines whether the organization that is receiving a payment from an agency (made using federal funds) is subject to audit.

118. A subrecipient is a non-federal entity that *expends* a federal award it *receives from a pass-through entity* to carry out a federal program. Characteristics indicative of a federal award received by a subrecipient are when *the organization* that received the payment:

a. Determines who is eligible to receive what federal financial assistance;
b. Has its performance measured against whether the objectives of the federal program are met;
c. Has responsibility for programmatic decision making;
d. Has responsibility for adherence to applicable federal program compliance requirements; and
e. Uses the federal funds to carry out a program of the *organization* as compared to providing goods or services for a program of *the pass-through agency*.

119. *One state agency can never consider another state agency to be a subrecipient.* This is because the State is one entity to the federal government; thus, movement of federal funds from one state agency to another is transparent for SEFA reporting purposes and agencies must record this movement as a transfer from one state agency to the other (see 116b and 116c

above). However, it is possible that a state agency can be a vendor of another state agency, if it meets the definition of a vendor (see 120 below).

120. A vendor is a dealer, distributor, merchant, or other provider of goods or services needed to administer a federal program. The goods or services may be for an entity's own use or for the use of beneficiaries of the federal program. Characteristics indicative of a *payment for goods or services* received by a vendor are when *the organization* that received the payment:

a. Provides the goods or services within normal business operations;
b. Provides similar goods or services to many different purchasers;
c. Operates in a competitive environment;
d. Provides goods or services that are ancillary (not essential) to the operation of the federal program; and
e. Is not subject to compliance requirements of the federal program.

121. In making the determination of whether a subrecipient or vendor relationship exists, the *substance* of the relationship is more important than the *form* of the agreement. The key is to determine the nature or the intent of the relationship between the agency and the entity to which the agency is making a payment.

Using Repository Reports for SEFA Reporting

122. Agencies must use the SEFA Reports available through the Datamart Repository for fiscal year-end SEFA reporting. The basis of the queries that produce these reports is the standard accounting treatment outlined in this procedure. Each agency will run the query report for their agency, review the data in the report to ensure accuracy, and submit their SEFA reporting data following applicable year-end procedures as provided by Statewide Accounting and Reporting Services (SARS).

Appendix A

Federal Grant Profiles

Agencies must establish several of the R-Stars profiles in a specific order because of their interrelationships. The profile relationship chart below illustrates dependencies between the selected profiles. Some profiles must be in place before agencies may establish other profiles.

Profile Relationships

Required Profiles

▪ D35 Grant Type	I
▪ D40 Grant Category	I
▪ D28 Grantor	I
▪ D47 Grant Number	D (D28, D35, D40)
▪ 029 Grant Control	D (D47)

Optional Profiles

▪ D48 Grant Object	D (D47)
▪ 026 Program Cost Account	D (D04)

I = Independent within the group
D = Dependent upon other profiles (shown in parentheses) being established

D35 Grant Type Profile

The grant type profile (D35) is a centrally maintained profile that defines the grant type and associated title. There are 10 different grant types on the D35 profile screen. Each D47 Grant Number profile must tie to a specific D35 Grant Type profile. Agencies must use the D35 profile for federal grant accounting and reporting. This includes federal funds budgeted as other funds. When your grant is from another state agency, refer to paragraph 114(a) in the procedure in order to determine the appropriate grant type.

```
SD35 VER 2.0                    STATE OF OREGON              02/07/12 08:10 AM
 LINK TO:                     GRANT TYPE PROFILE
PROD

 GRANT TYPE: 01

      TITLE: FEDERAL GRANT - REIMBURSABLE
```

Definitions of Grant Types

Grant Type 01: Federal Grant – Reimbursable. Classify a federal grant as type 01 when your agency receives federal funds *directly* from a federal agency *and* when your agency incurs expenditures first, and then requests reimbursement from the federal agency.

Grant Type 02: Federal Grant – Advanced. Classify a federal grant as type 02 when your agency receives federal funds *directly* from a federal agency *and* when your agency requests funds from the federal agency before (in advance of) incurring expenditures.

Grant Type 03: State Grant. Do not use this grant type for federal grant reporting.

Grant Type 04: Other Grants. Do not use this grant type for federal grant reporting.

Grant Type 05: Indirect Federal Grant – Reimbursable. Classify a federal grant as type 05 when your agency receives federal funds *indirectly* (meaning, from a *non-federal* entity) *and* when your agency incurs expenditures first, and then requests reimbursement from the non-federal entity.

Grant Type 06: Indirect Federal Grant – Advanced. Classify a federal grant as type 06 when your agency receives federal funds *indirectly* (meaning, from a *non-federal* entity) *and* when your agency requests funds from the non-federal entity before (in advance of) incurring expenditures.

Grant Type 07: Federal as Other Funds – Reimbursable. Classify a federal grant as type 07 when your federal funds are budgeted as other funds, when your agency receives federal funds *directly* from a federal agency *and* when your agency incurs expenditures first, and then requests reimbursement from the federal agency.

Grant Type 08: Federal as Other Funds – Advanced. Classify a federal grant as type 08 when your federal funds are budgeted as other funds, when your agency receives federal funds *directly* from a federal agency *and* when your agency requests funds from the federal agency before (in advance of) incurring expenditures.

Grant Type 09: Indirect Federal as Other Funds – Reimbursable. Classify a federal grant as type 09 when your federal funds are budgeted as other funds, when your agency receives federal funds *indirectly* (meaning, from a *non-federal* entity) *and* when your agency incurs expenditures first, and then requests reimbursement from the non-federal entity.

Grant Type 10: Indirect Federal as Other Funds – Advanced. Classify a federal grant as type 10 when your federal funds are budgeted as other funds, when your agency receives federal funds *indirectly* (meaning, from a *non-federal* entity) *and* when your agency requests funds from the non-federal entity before (in advance of) incurring expenditures.

D40 Grant Category Profile

The grant category profile (D40) is a centrally maintained profile that defines the CFDA number of a federal program (grant category) along with the associated title. Agencies must use the D40 profile for federal grant accounting and reporting.

```
SD40 VER 2.0                  STATE OF OREGON               06/07/12 08:18 AM
 LINK TO:                  GRANT CATEGORY PROFILE
PROD


 GRANT CAT: 16.745    TITLE: CRIMINAL & JUVENILE JUSTICE & MENTAL HEALTH COLLAB

 PREVIOUS GRANT CAT: 16.745






                                                     STATUS CODE: A
  EFF START DATE: 03012006   EFF END DATE:          LAST PROC DATE: 04142006
```

Data Fields

1. Grant Category: The grant category represents the CFDA number of a federal program. If a federal program does not have a CFDA number, SARS may need to add a new grant category to the D40 profile. The format would be the two-digit federal agency number, followed by **.**XXX. For example, a grant from the federal Department of Transportation would be 20.XXX. If your agency needs a new D40 profile, please contact SARS to ask that the new profile be established in R*STARS. Once SARS approves the CFDA number, SARS will contact SFMS to update the D40 screen. Please include the new CFDA number and the complete title. If a CFDA number does not exist, provide the federal agency number and the name of the federal agency.

2. Title: The title represents the name of the federal program (title associated with a CFDA number).

   Note: When the list of changes or deleted CFDA numbers is posted to the CFDA.gov website (currently it is twice a year), SARS incorporates the changes into the grant category profile. For deleted CFDA numbers, SARS usually changes the effective end date to 12/31 of the current year to prompt archiving of these old profiles. If an agency needs to continue using an old CFDA number, please contact your SARS analyst.

D28 Grantor Profile

The D28 grantor profile is an agency maintained profile that defines the grantor identification number and the associated name and address for grant reporting. A grantor is an organization from which an agency receives a grant (including another state agency). Agencies must use the D28 profile for federal grant accounting and reporting.

```
SD28 VER 2.0                    STATE OF OREGON              06/07/12 08:13
 LINK TO:                       GRANTOR PROFILE                Note: N PROD



       AGENCY: 213 (MUST BE IN D02 AGENCY PROFILE)
           ID: 930902048

         NAME: US DEPARTMENT OF JUSTICE

    ADDRESS 1: OFFICE OF COMPTROLLER, CONTROL DESK
    ADDRESS 2: 810 7TH STREET NW
    ADDRESS 3: ROOM 5303

         CITY: WASHINGTON                          STATE: DC ZIP CODE: 20531

                                                         STATUS CODE: A
  EFF START DATE: 08051994   EFF END DATE:           LAST PROC DATE: 10082009
```

Data Fields

1. Note: When establishing a D28 profile, if the user does not enter a note in the notepad, the system will automatically default to ‘N’ (for No) in the note field. To enter a note in the notepad, type ‘Note’ in the link to field and press F9-Interrupt. The 105 notepad screen will display. After creating the note, press F10-Save and then press F9-Interrupt to return to the D28 profile. The system will display a ‘Y’ (Yes) in the note field indicating a note is attached.
2. Agency: Enter the agency number of your agency as the grantee (recipient).
3. ID: Enter up to a 14-digit grantor identification number, as provided by the grantor organization. This number needs to be the same Grantor ID number as that entered on the D-47 screen.
4. Name: Enter the name of the organization from which your agency will receive the grant (grantor name).
5. Address 1: Enter the address of the grantor organization (Address 1).
6. Address 2: Enter Address 2 or leave blank.
7. Address 3: Enter Address 3 or leave blank.
8. City: Enter the city for the grantor address.
9. State: Enter the two-character state for the grantor address.
10. Zip Code: Enter up to a nine-digit zip code for the grantor address.

D47 Grant Number Profile

The D47 profile is an agency maintained profile that establishes the agency defined grant number and the associated title for grant reporting purposes. Agencies must use the D47 profile for federal grant accounting and reporting.

```
SD47 VER 2.0                        STATE OF OREGON                06/07/12 08:13
AM
LINK TO:                         GRANT NUMBER PROFILE
PROD


      AGENCY: 213 (MUST BE IN D02 AGENCY PROFILE)
GRANT NUMBER: 555000  TITLE: JUSTICE AND MENTAL HEALTH COURT
FISCAL YEAR END: 0930  DESC: JOSEPHINE COUNTY MENTAL HEALTH
GRANT PH BUDGET LEVEL IND: Y (Y OR N - CONTROL BUDGETS AT PHASE LEVEL)
  AGY BUD GRANT LEVEL IND: 1 (0=NO GRANT, 1=GRANT, 2=GRANT/PHASE)
GRANTOR ID: 930902048      CATEGORY: 16.745 GRANT TYPE: 01
 ADDRESS 1: US DEPARTMENT OF JUSTICE
 ADDRESS 2: 810 7TH STREET NW
 ADDRESS 3: ROOM 5303
      CITY: WASHINGTON                             STATE: DC ZIP CODE: 20531
AWARD DATE: 10012009          AWARD CONTRACT NO: 2009MOBX0036
STATE APPL ID:  13.620.3424          LOC REF NO:
MANAGER: FISCAL ANALYST
APPLICATION STATUS:    DUE DATE:         FINAL DECISION DATE:
GRANTORS GRANT NO: 2009-MO-BX-0036
```

Data Fields

1. Agency: Enter your agency number.
2. Grant number: Enter the grant number.
3. Title: Enter the title of the grant associated with the grant number.
4. Grant ph budget level ind: This indicator controls the posting of the phase to the grant, cash control, and cash balance financial tables. Enter a one character Y (Yes) or N (No) value. If an agency selects 'Y', the grant's budget and cash balances will be controlled and posted at the phase level. The grant and phase code are both posted to the control key of the grant, cash control and cash balance financial tables. If an agency selects 'N', grant budget and cash control is at the grant level, and the agency must establish a 29 grant control profile with a phase of '00'. If the value of this indicator is 'N', SFMA posts the grant code and a blank phase code to the control key of the grant financial table.
5. Agy bud grant level ind: Enter the one-digit agency budget grant level indicator that identifies the level at which the grant is budgeted. Valid values are as follows:
   - 0 – No grant
   - 1 – Grant
   - 2 – Grant/Phase
6. Grantor ID: Enter up to a 14-digit grantor identification number. The grantor ID number must match the grantor ID number on the D28 grantor profile.
7. Category: Enter the CFDA number associated with the grant number. The CFDA number must be on the D40 grant category profile.
8. Grant Type: Enter the two-digit grant type code based on the type of federal grant. The grant type code must be on the D35 grant type profile.

9. Address 1: Enter address 1 for the grantor, up to 40 characters.

10. Address 2: Enter address 2 up to 40 characters.

11. Address 3: Enter address 3 up to 40 characters.

12. City: Enter the city for the grantor address, up to 30 characters.

13. State: Enter the two-character state for the grantor address.

14. Zip code: Enter up to a nine-digit zip code for the grantor address.

15. Award date: Enter an eight-digit award date. The date must be in standard MMDDYYYY format.

16. Award Contract Number: Enter the contract number for all grants that do not have a valid CFDA number. If the CFDA number is valid, then the award contract number may remain blank.

17. Loc Ref No: Optional.

18. Manager: Up to 60 characters (optional).

19. Application Status: 1 character; must be in D53 Table ID: GAST (optional).

20. Due Date: Use standard MMDDYYYY format (optional).

21. Final Decision Date: Use standard MMDDYYYY format (optional).

22. Grantors Grant No: Up to 15 character alpha-numeric field (optional).

029 Grant Control Profile

A series of indicators and data elements stored in the grant control profile control the grant cost accumulation and billing processes. Agencies maintain the 029 Grant Control Profile. Agencies must use the 029 profile for federal grant accounting and reporting.

```
S029 VER 2.0                     STATE OF OREGON                 06/07/12 09:34 AM
 LINK TO:                      GRANT CONTROL PROFILE
PROD
 AGENCY: 213   GRANT NO/PH: 555000 09   AG CD 1:      GRANT TYPE: 01 (SYS-GEN)
  TITLE: JUSTICE & MENTAL HEALTH-JOSEPHINE…0036         GEOGRAPHIC CODE:
 SGL POST LEVEL IND: 2  LOC NO:                 LOC AWARD: 10/1/09 - 03/31/12
 EXP POST LEVEL IND: 2  REV POST LEVEL IND: 2        GRANT CTL TYPE IND: 0
  CASH CTL POST IND: N   CASH CTL TYPE IND: 2 PROJ/PH:            AGY CD 2:
  SERV DATE CTL IND: N       GRANT OBJ IND:      CONTRACTOR/SFX:
 BILLING METHOD: 0      CYCLE: 0   MMDD: 1       2      3      4
 OBJECT RANGE -  LOW:    HIGH:     RATE:        LOW:   HIGH:    RATE:
              1                00000.0000 2                   00000.0000
              3                00000.0000 4                   00000.0000
              5                00000.0000     CLEARANCE PATTERN:
 COMP GLA TO INCLUDE:
                           * * * * * * RECOVERY SEGMENT * * * * * *
  CUR DOC/SFX:               TC:       INDEX:          PCA:         AY:
 COMP/AGY OBJ:             FUND:        DESC:
      MP CODE:                 AGY CD -  1:      2:      3:
 FINAL POST DATE:                       RTI:                SPEC PURGE IND: N
    STATE MATCH%: .00000  STATE MATCH AMT: 00000000000.00 STATUS CODE: A
```

Data Fields

1. Agency: Enter your agency number.

2. Grant no/ph: Enter the grant number, which is a required element (the grant number must be in the D47 profile). Enter the two-digit grant phase, if applicable. If the agency does not divide a grant into phases, enter zeroes (00).

3. Ag cd 1: An optional element; 4 digits assigned by the agency. It signifies another level in grant structure and agencies may use it for identifying different tasks or activities.

4. Title: Enter the title of the grant associated with the grant number.

5. Geographic code: Leave blank.

6. SGL post level ind (Summary general ledger post level indicator): Provides the ability to maintain a general ledger and inquire on balance sheet accounts within a grant/phase. Enter the desired level of posting using the one-digit code as follows: 0 – Do not post; 1 – Post grant only; 2 – Post grant and phase.

7. Loc No: Optional.

8. Loc Award No: Letter of credit award number up to 15 characters (optional or leave blank).

9. Exp post level ind (Expenditure object posting level indicator): This indicator determines the expenditure object and/or fund level at which the system posts transactions to the grant financial table. SFMA records all transactions at the lowest level of detail in the general ledger financial table. Agencies that use grant billable and expendable budgets must post them at the level of detail identified by this indicator. When budgets are not used, this indicator should be set at the level desired for on-line inquiry. Enter the applicable one-character code from the list below:

0 – No object
1 – Comptroller object (D10)
2 – Agency object (D11)
3 – Grant object
A – Fund, no object
B – Fund and comptroller object
C – Fund and agency object
D – Fund and grant object

10. Rev post level ind (Revenue object posting level): This indicator determines the revenue object and/or fund level at which SFMA posts transactions to the grant financial table. For example, if the value is ‘1’ SFMA posts the comptroller object on the transaction to the control key grant financial table. Enter the applicable one-character code from the list below:
    0 – No object
    1 – Comptroller object (D10)
    2 – Agency object (D11)
    3 – Grant object
    A – Fund, no object
    B – Fund and comptroller object
    C – Fund and agency object
    D – Fund and grant object

11. Grant ctl type ind: Enter the desired one-digit grant control type indicator as follows:
    0 – None: expenditures exceeding the expendable budget will not cause an error message.
    1 – Absolute/Fatal: SFMA will not post expenditures greater than the expendable budget and will issue a fatal message.
    2 – Advisory/Warning: SFMA will post expenditures that exceed the expendable budget and will issue a warning message.

12. Cash ctl post ind: This indicator determines whether SFMA will use the grant structure to post to the cash control and cash balance financial tables. For example, a value of ‘N’ indicates that the grant on the cash control and cash balance financial tables will be blank (control is without regard to grant); whereas a value of ‘Y’ indicates that the grant will be posted to the cash control and cash balance financial tables. The D47 grant number profile grant phase budget level indicator determines whether SFMA posts the phase code. Enter the applicable one-digit cash control posting indicator as follows:
    Y – Yes, exercise cash control for the grant phase.
    N – No, do not have cash control for the grant phase.

13. Cash ctl type ind: Enter the desired one-digit cash control type indicator as follows:
    0 – None: expenditures exceeding the expendable budget will not cause an error message.
    1 – Absolute/Fatal: SFMA will not post expenditures greater than the expendable budget and will issue a fatal message.
    2 – Advisory/Warning: SFMA posts expenditures and encumbrances that exceed the expendable budget and will issue a warning message.

14. Proj/ph: Enter the project number or leave blank. The project number and phase associate a project/phase with the grant/phase. All budgetary, expenditure and revenue transactions recorded against this grant/phase will also post to the project table (and other tables) for the project/phase. This project number must also exist in the 27 project control profile if entered. Enter the two-digit project phase or leave blank. This is a required field if there is a project number entered.

15. Agy cd 2: Enter an agency code 2 indicator. This code must exist in the D27 agency code 2 profile.

16. Serv date ctl ind: Enter a one-character service date control indicator as follows:
    Y – Yes, service dates of transactions must occur prior to the final post date defined in this profile.
    N – No, SMFA does not control service dates based on the final post date.

17. Grant obj ind: The grant object indicator determines which range of objects on the grant object profile (D48) SFMA will use to post transactions to the grant financial table. This indicator is only required if agency object has been selected on the exp or rev post level indicators (options ‘3’ or ‘D’). Valid values include:

A – Agency object range only
B – Comptroller and agency object range
C – Comptroller object only
Blank – Field must be blank exp or rev post level indicators not set to ‘3’ or ‘D’.

18. Contractor/SFX: Enter the optional 10-character vendor id number and three-digit mail code of the primary contractor associated with this grant. If entered, the 51 statewide vendor profile or the 34 agency vendor profile must define the vendor number.

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	**Number:**	15.45.10
Division:	Chief Financial Office	**Effective Date:**	March 1, 2013
Chapter:	Accounting and Financial Reporting		
Part:	Interfund and Interagency Transactions		
Section:	Interfund Services, Reimbursements and Transfers		
Approved:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy provides guidance on accounting and financial reporting for the following types of interfund or interagency transactions:

- Exchange or exchange-like transactions between funds/agencies involving payment for goods or services
- Reimbursement transactions between funds/agencies
- Transfers between funds/agencies

AUTHORITY: **ORS 293.590**
GASB Statement No. 14
GASB Statement No. 33
GASB Statement No. 34
GASB Statement No. 38

APPLICABILITY: This policy applies to all state agencies included in the state's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

DEFINITIONS: The following definitions apply to this policy.

(a) **Interfund transactions** occur between funds within an agency, while **interagency transactions** occur between two different agencies. Not all interfund and interagency transactions constitute transfers.

(b) Generally accepted accounting principles (GAAP) refer to sales and purchases of goods and services between funds for a price approximating their external exchange value as **interfund services provided and used.** Interfund services provided and used are further classified as **reciprocal interfund activity,** the internal counterpart to exchange and exchange-like transactions. This activity may occur between funds within an agency or between two different agencies.

(c) **Reimbursements** are those transactions that constitute repayments to a fund for expenditures or expenses initially made from it that should be charged to a different fund. Reimbursements are internal accounting adjustments used to reallocate expenditures/expenses. Consequently, they are not displayed on the financial statements. Reimbursements are classified as **nonreciprocal interfund activity**, the internal counterpart to nonexchange transactions. Reimbursements may also occur between funds within an agency or between two different agencies.

Click here for other **definitions**.

POLICY:

101. Agency management is responsible for ensuring that the agency's accounting and reporting for interfund and interagency transactions is appropriate.

102. All interfund and interagency transactions except loans, interfund services provided/used, and reimbursements are accounted for as transfers. Transfers should be classified separately from revenues and expenditures or expenses on the basic financial statements.

103. From a statewide perspective, all interagency transactions are equivalent to interfund transactions and should be treated that way for statewide financial reporting purposes in the **Comprehensive Annual Financial Report**. The financial statements for a given agency, however, should report these transactions as interagency transactions.

PROCEDURES:

Interfund Services Provided and Used

104. Interfund services provided and used are those transactions involving the sales of goods or services between funds that would be treated as revenues, expenditures, or expenses if they involved organizations that were external to the state. For example, internal service fund billings (i.e., DAS Central Services Fund) to agencies should be accounted for as revenues, expenditures, or expenses in the funds involved.

Example – Interfund services provided and used (between funds within an agency):

Assume that an *internal service fund* provided a *special revenue fund* with printing services. The *internal service fund* bills the *special revenue fund* for $1,000.

Step 1: Establish an accounts receivable in the *internal service fund*:

TC 103 in internal service fund

DR 0501 Accounts Receivable – Other Billed	1,000	
CR 3101 Revenue Control – Accrued (0407 Other Chgs for Svcs)		1,000

Step 2: Process a balanced transaction in the *special revenue fund* to pay for the service:

TC 730 (special revenue fund side of transaction)

DR 3500 Exp Control – Cash (4252 Publicity & Publications)	1,000	
CR 0070 Cash on Deposit with Treasurer		1,000

TC 731 (internal service fund side of transaction)

DR 0070 Cash on Deposit with Treasurer	1,000	
CR 3100 Revenue Control – Cash (0407 Other Chgs for Svcs)		1,000
DR 3101 Revenue Control – Accrued (0407 Other Chgs for Svcs)	1,000	
CR 0501 Accounts Receivable – Other Billed		1,000

105. The revenue and expenditure accounts indicate the reciprocal activity relationship. TC 722 and TC 723 are used if the fund providing the service is in a different agency and that agency does not establish or provide an accounts receivable number to liquidate. TC 730 and TC 731 are used if the fund providing the service is in a different agency and that agency establishes an accounts receivable and provides this information to the sending agency for liquidation of the accounts receivable. Any appropriate revenue account or services/supplies expenditure account may be used to record these types of transactions.

Reimbursement Transactions

106. GAAP define interfund reimbursements as "repayments from the funds responsible for particular expenditures or expenses to funds that initially paid for them." Interfund reimbursements are treated as an adjustment to expenses or expenditures; that is, an increase in expenditures or expenses in the reimbursing fund and a corresponding decrease in expenditures or expenses in the reimbursed fund. For example, an expenditure properly chargeable to a special revenue fund was initially paid by the general fund, which is subsequently reimbursed. This transaction is recorded as an expenditure in the special revenue fund (reimbursing fund) and as a reduction of the expenditure in general fund (the fund that is reimbursed). Allocation of overhead should be treated as a reimbursement rather than as interfund services provided and used.

Example – Reimbursement between funds within an agency:

The *general fund* has paid the entire $5,000 Attorney General (AG) invoice for the agency and the expenditure was recorded in the general fund. Legal fees of $1,000 were properly attributable to the *special revenue fund* and should have been recorded in that fund.

To move expenditures and cash between two funds within the agency:

TC 416 in general fund (where the expenditure was originally paid)

DR 0070 Cash on Deposit with Treasurer	1,000	
CR 3500 Expenditure Control – Cash (4550 AG legal fees)		1,000

TC 415 in special revenue fund (where the expenditure is budgeted)

DR 3500 Expenditure Control – Cash (4550 AG legal fees)	1,000	
CR 0070 Cash on Deposit with Treasurer		1,000

The net effect of these transactions is that the *general fund* will show expenditures for legal fees of $4,000 and the *special revenue fund* will have legal fee expenditures of $1,000. TC 416 must be processed with TC 415 as a balanced transaction.

Example – Reimbursement between agencies using a balanced transfer:

TC 740 (expenditure recorded by reimbursing agency)

DR 3500 Expenditure Control – Cash	1,000	
CR 0070 Cash on Deposit with Treasurer		1,000

TC 741 (reduction of expense recorded by agency receiving reimbursement)

DR 0070 Cash on Deposit with Treasurer	1,000	
CR 3500 Expenditure Control – Cash		1,000

Transfers

107. All interfund or interagency transactions except loans, interfund services provided and used, and reimbursements are transfers. Nonreciprocal interfund activity (analogous to nonexchange transactions) includes transfers as well as reimbursements (defined in .105 above).

108. Transfers must not be used to record transactions where there is an exchange of goods or services between state agencies (or funds) or between state agencies and entities outside the government.

109. Transfers are reported in the "Other Financing Sources (Uses)" section in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance and after the "Nonoperating Revenues (Expenses)" section in the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Assets. For government-wide reporting, transfers within each activity are eliminated and only amounts between governmental and business-type activities are presented.

110. For transfers between funds within an agency, the amounts in the two comptroller object accounts below must balance within an agency and within a fiscal year:

1301 Transfer In From Other Fund
1401 Transfer Out to Other Fund

111. For transfers of indirect cost moneys from a federal fund to some other fund within an agency, the two comptroller object accounts below must balance within an agency and within a fiscal year:

1356 Transfer In From Indirect Cost Center
1456 Transfer Out to Indirect Cost Center

112. For transfers from a general fund (appropriation) to another fund type within an agency, the two comptroller object accounts below must balance within an agency and within a fiscal year:

1303 Transfer In From General Fund
6200 Intra-agency General Fund/Other Fund Transfer

113. For transfers between agencies, the transfer in is recorded as a credit to a comptroller object that corresponds to GAAP source object 1400, Transfers from Other Funds (for governmental funds) or 1475, Transfers from Other Funds (for proprietary funds) in the D08 profile. The selected comptroller object must correspond to the applicable agency, based on the title of the comptroller object.

114. For transfers between agencies, the transfer out is recorded as a transfer out or as a special payment expenditure, depending on how it is budgeted. A transfer out is recorded as a debit to a comptroller object that corresponds to GAAP source object 1450, Transfers to Other Funds (for governmental funds) or 1476, Transfers to Other Funds (for proprietary funds) in the D08 profile.

115. A special payment expenditure is recorded as a debit to a comptroller object that corresponds to GAAP source object 6200, Special Payments to State Agencies (for governmental funds) or 6250, Special Payments to State Agencies (for proprietary funds) in the D08 profile. Both GAAP source object 6200 and 6250 are reported as Transfers to Other Funds in the fund financial statements. The comptroller object selected for individual transactions must correspond to the applicable agency, based on the title of the comptroller object.

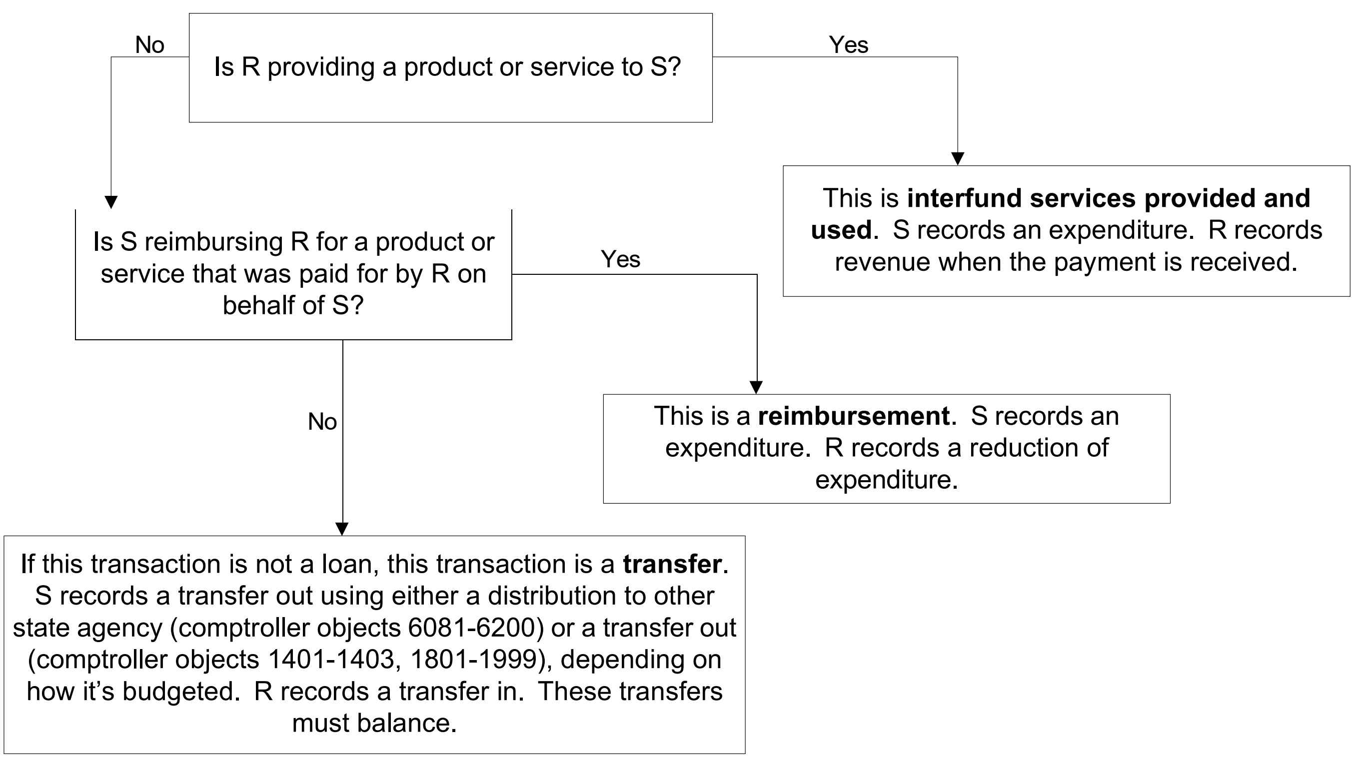
116. A transfer to a component unit from a state agency (not considered a transfer for financial reporting purposes) is recorded as a revenue transfer out with a debit to a comptroller object that corresponds to GAAP object 6380, Revenue Transfers Out, for governmental funds and 6385, Revenue Transfers Out, for proprietary funds. Discretely presented component units report a corresponding revenue. A distribution to a component unit (not considered a transfer for financial reporting purposes) is recorded as a debit to a comptroller object that corresponds to GAAP object 6100, Special Payments, for governmental funds and 6350, Special Payments, for proprietary funds in the D08 profile.

117. Transfers between agencies are recorded as balanced transactions to ensure transfers in agree to transfers out statewide within each fiscal year. The agency initiating the transaction has primary responsibility for coordinating with the other agency to ensure consistent reporting. Comptroller objects specific to each agency must be used.

118. If the receiving agency receives a transfer but does not believe the transaction should be recorded as a transfer, the receiving agency must contact the sending agency to discuss the situation. If an agreement cannot be reached between the agencies involved, the agencies should consult with the State Controller's Division, Statewide Accounting and Reporting Services staff to determine the proper treatment of the transaction.

119. The flowchart below highlights the key questions agencies need to answer when analyzing interfund and interagency transactions.

S = Fund in agency sending moneys **R = Fund in agency receiving moneys**



120. Because transfers between agencies represent cash transactions, the effective date of both sides of the transaction must always be equal to the current system date. *Cash transactions between agencies must not be back-dated.*

121. For transfers of capital assets from one fund or agency to another, see **OAM 15.60.10**.

122. The responsibility for determining fiscal year end accrual amounts between funds or agencies is as follows:

a. If an agency collects tax, license, or fee revenues that will be transferred to another agency, the collecting agency must determine the accrual amounts, the fiscal year, and the appropriation year, and advise the receiving agency.

b. For interagency grants and reimbursable contracts, the agency that receives the grant or provides the services must determine the unbilled amounts at June 30 and advise the grantor agency.

c. Transfer amounts are accrued using comptroller GL 0586, Due from Other Funds/Agencies, and comptroller GL 1532, Due to Other Funds/Agencies.

d. For interagency transactions, the eight-digit agency GL or G38 Code field must be completed by the initiating agency. The first three digits are the agency number of the other agency. The next four digits are the D23 fund of the other agency. The final digit is always zero.

e. Amounts receivable and payable between an agency and a discretely presented component unit must be reported separately and cannot be combined with accruals between funds of the primary government for financial reporting purposes (e.g., “Due to Component Unit”).

Transfer Example Between Agencies

123. The Oregon Liquor Control Commission (OLCC) has the legal authorization to collect beer and wine taxes that later will be transferred to the Department of Human Services (DHS) to fund the Substance Abuse Prevention and Treatment program (D23 fund 3608). OLCC (D23 fund 0005) receives $10,000 that will be used to finance expenditures of DHS.

When the cash is received, OLCC uses **TC 190** to record:

DR 0065 Unreconciled Deposit	10,000	
CR 3100 Revenue Control – Cash (0124 Alcoholic Bev Tax)		10,000

When the cash is transferred, OLCC’s uses **TC 720** to record:

DR 3550 Operating Transfers Out Control (1911 Trf Out to DHS)	10,000	
CR 0070 Cash on Deposit with Treasurer (G38 Code = 10036080)		10,000

When the cash is transferred, DHS uses **TC 721** to record:

DR 0070 Cash on Deposit with Treasurer	10,000	
CR 3150 Operating Transfers In Control (1388 Trf In from OLCC) (G38 Code = 84500050)		10,000

124. The OLCC initiates the transfer transaction with DHS as the financial agency on TC 721. OLCC notifies DHS that OLCC is recording the transaction as a transfer. (Note: TC 720 and TC 721 must be processed as a balanced transaction.) After TC 190 is processed, TC 332 is generated when the deposit is reconciled with State Treasury.

125. OLCC records revenue when it receives the cash because that agency is authorized to collect taxes on wine and beer. Thereafter, transfer accounts are used to show the cash flow between agencies.

Disclosure Requirements – Transfers

126. The notes to the financial statements include summarized information about transfers. Amounts transferred to and from other funds are shown by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type. Use of the G38 Code by agencies for all applicable transactions facilitates disclosure at this level of detail. A general description of the principal purposes of interfund transfers is also included in the notes to the financial statements. The intended purpose and the amount of significant transfers that do not occur on a routine basis and/or are inconsistent with the activities of the fund making the transfer must also be disclosed.

Agent Relationships

127. In the case of an agency that collects fees on behalf of another agency as a service to the other agency, and the collecting agency is not legally authorized to assess the fee, a pass-through relationship exists. In other words, one agency is acting as an "agent" on behalf of the other agency. These transactions do not represent transfers between agencies.

128. When an agent relationship exists between agencies or between a state agency and an outside entity, the revenue must be recorded in the agency with the legal authority to levy the tax or assess the fee (not in the agency that collects the moneys). An **agency fund** may be established to account for the collection (pass-through) activity, but agent-type activities need not be accounted for in an agency fund unless legally required. Where an agent relationship exists, the agency collecting moneys on behalf of another agency records cash and a deposit liability when the money is received and reduces both cash and the deposit liability when the money is turned over to the agency legally authorized to levy the tax or assess the fee. The agency authorized to levy the tax or assess the fee records cash and revenue when the money is received from the agency acting as its agent, just as if the agency had collected the revenue itself.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL	
SUBJECT: Accounting and Reporting **DIVISION:** Chief Financial Office	**Number:** 15.45.20 **Effective date:** June 1, 2012
Chapter: Accounting and Financial Reporting **Part:** Interfund and Interagency Transactions **Section:** Advances Between Funds/Agencies	
APPROVED: George Naughton, Chief Financial Officer	Signature on file

PURPOSE: This policy provides guidance on accounting and financial reporting for advances between funds or agencies according to **generally accepted accounting principles (GAAP)**, including applicable disclosure requirements.

AUTHORITY: **ORS 293.590**
NCGA Statement No. 1
GASB Statement No. 14
GASB Statement No. 34
GASB Statement No. 38
GASB Statement No. 54

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**.

DEFINITION: **Advances:** Long-term loans from one fund or agency to another fund or agency with a requirement for repayment.

POLICY:

101. Agency management must ensure the proper accounting and reporting of advances between funds within their own agency or between their agency and another agency.

102. From a statewide perspective, all interagency transactions are equivalent to interfund transactions and Statewide Accounting and Reporting Services (SARS) reports them as such for statewide financial reporting purposes in the **Comprehensive Annual Financial Report**. Agencies, however, should report these transactions as interagency transactions in their own financial statements.

103. Report advances as interfund receivables in lender funds and interfund payables in borrower funds, regardless of fund type. Agencies that do not expect repayment of the advance to occur within a reasonable time must eliminate the remaining interfund balances and record the advance as a transfer from the fund that made the loan to the fund that received the loan.

104. Do not record transactions related to charges for goods and services between funds as advances. (See **interfund services provided and used** in **OAM 15.45.10**.) Account for short-

term receivables and payables between funds or agencies as “due to” or “due from” other funds/agencies rather than as advances.

105. Advances to other funds/agencies must balance with offsetting advances from other funds/agencies accounts.

PROCEDURES:

106. Unlike the other long-term liabilities of **governmental funds** (which agencies generally record in the **government-wide reporting fund**), report advances within the governmental funds.

107. Use the Agency GL to cross-reference the agency and D23 fund of the *Advance to Other Fund/Agency* (GL account 0950) to the agency and D23 fund of the *Advance from Other Fund/Agency* (GL account 1800). The format of the Agency GL number is AAAFFFF0, where A equals the agency number and F equals the D23 fund number. The last digit is always a zero and is simply a placeholder.

108. Because advances are balance sheet only transactions, eliminate the revenues (loan repayments) and expenses (loans made) associated with advances for financial reporting purposes. The transaction codes used to record advances include GAAP offset accounts, which allow revenues and expenditures to be properly reported for budgetary purposes, but eliminate revenues and expenditures for financial reporting purposes.

109. The entries below illustrate how to set up an advance and record subsequent repayments. The sample transactions apply to all fund types.

Assume Agency 111 sends $50,000 from D23 fund 4567 to Agency 222 as an advance. Agency 222 records the advance in D23 fund 6321.

T-code 722: Agency 111 records the cash advanced to Agency 222, using comptroller object 6870 – Loans to State Agencies.

DR 3500 Expenditure Control-Cash (C/O 6870)	$50,000	
CR 0070 Cash on Deposit with Treasurer		$50,000

T-code 723: Agency 222 records the cash received from Agency 111, using comptroller object 1600 – Loan Proceeds.

DR 0070 Cash on Deposit with Treasurer	$50,000	
CR 3100 Revenue Control - Cash (C/O 1600)		$50,000

T-code 446: Agency 111 records an asset for the loan to Agency 222, offsetting comptroller object 6870 – Loans to State Agencies.

DR 0950 Advances to Other Funds/Agencies	$50,000	
CR 3600 GAAP Expenditure Offset (C/O 6870) (Agency GL 22263210)		$50,000

T-code 448: Agency 222 records a liability for the loan from Agency 111, offsetting comptroller object 1600 – Loan Proceeds.

DR 3200 GAAP Revenue Offset (C/O 1600)	$50,000	
CR 1800 Advances from Other Funds/Agencies (Agency GL 11145670)		$50,000

Now, assume that Agency 222 makes its first repayment of $5,500 of principal and interest.

T-code 722: To record the cash sent by Agency 222 to Agency 111, using comptroller objects 7200 – Principal-Loans and 7400 – Interest-Loans.

DR 3500 Expenditure Control-Cash (C/O 7200 Principal)	$5,000	
DR 3500 Expenditure Control-Cash (C/O 7400 Interest)	$ 500	
CR 0070 Cash on Deposit with Treasurer		$5,500

T-code 723: To record the cash received by Agency 111, using comptroller objects 1104 – Other Loan Repayments and 0800 – Interest on Investments

DR 0070 Cash on Deposit with Treasurer	$5,500	
CR 3100 Revenue Control - Cash (C/O 1104 Repayments)		$5,000
CR 3100 Revenue Control - Cash (C/O 0800 Interest)		$ 500

T-code 447: Agency 111 reduces the asset balance for the principal received, offsetting comptroller object 1104 – Other Loan Repayments.

DR 3200 GAAP Revenue Offset (C/O 1104)	$5,000	
CR 0950 Advances to Other Funds/Agencies (Agency GL 22263210)		$5,000

T-code 449: Agency 222 reduces its liability for the principal repaid, offsetting comptroller object 7200 – Principal-Loans.

DR 1800 Advances from Other Funds/Agencies	$5,000	
CR 3600 GAAP Expenditure Offset (C/O 7200) (Agency GL 11145670)		$5,000

Advance to Other Fund Recorded in the General Fund

110. In the GAAP General Fund only (GAAP Fund 0001), a nonspendable fund balance applies in certain circumstances. If the loan repayments are not restricted, committed, or assigned to a specific purpose, classify the fund balance related to the *Advance to Other Fund/Agencies* (GL account 0950) as nonspendable.

111. Assume Agency 111 sent the $50,000 advance from D23 fund 8001, a fund within GAAP Fund 0001, to D23 fund 6321 in Agency 222. Assume further that the loan repayments received by Agency 111 are not restricted, committed, or assigned to a specific purpose. Rather than using T-code 446 to record the asset, Agency 111 uses T-code 486.

T-Code 486: Agency 111 records the advance to Agency 222 and the related nonspendable fund balance, using comptroller object 6870 – Loans to State Agencies.

DR 0950 Advances to Other Funds/Agencies	$50,000	
DR 3075 Change in Reserves	$50,000	
CR 3035 Nonspend Fund Bal - Adv to Other Funds/Agencies		$50,000
CR 3600 GAAP Expenditure Offset (C/O 6870)		$50,000
(Agency GL 22263210)		

When Agency 111 receives repayments, it uses T-code 472 (rather than T-code 447) to reduce the advance to Agency 222 and the related nonspendable fund balance.

T-code 472: Agency 111 reduces the asset balance for the principal received, offsetting comptroller object 1104 – Other Loan Repayments.

DR 3035 Nonspend Fund Bal - Adv to Oth Funds/Agencies	$5,000	
DR 3200 GAAP Revenue Offset (C/O1104)	$5,000	
CR 0950 Advances to Other Funds/Agencies		$5,000
CR 3075 Change in Reserves		$5,000
(Agency GL 22263210)		

Agency 222 uses Agency GL 11180010 for its side of the transactions.

Fiscal Year-End

112. At fiscal year end, agencies accrue any interest owed at June 30. The lending agency accrues interest revenue and establishes a receivable and the borrowing agency accrues interest expense or expenditure and establishes a payable.

113. For advances between agencies, both agencies must verify that the recorded loan balances agree at year-end and accrue the same amount of interest receivable and payable.

Financial Reporting

114. Advances within governmental funds and within business-type activities are eliminated at the government-wide reporting level, leaving only the residual balances due between governmental and business-type activities.

115. Advances to/from fiduciary funds are reported as receivables from or payables to external parties in the government-wide statement of net assets.

116. The governmental and proprietary funds balance sheets, as well as the government-wide statement of net assets, distinguish interfund balances related to discretely presented component units as advances to/from component units.

117. Operating statements prepared on the budgetary basis reflect all loan revenue and loan expenditure activity. However, operating statements prepared on the GAAP basis reflect only interest income and interest expense because GAAP offsets eliminate the effects of loan activity in the operating statements.

Disclosure Requirements

118. Notes to the financial statements disclose advances due to/from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund types. Agencies use the Agency GL field for all applicable transactions to facilitate disclosure at this level of detail.

119. The notes to the financial statements also include a description of the purpose for interfund advances, as well any advances that agencies do not expect to repay within one year from the date of the financial statements.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT:	Accounting and Reporting	**Number:**	15.45.30
DIVISION:	Chief Financial Office	**Effective date:**	July 1, 2013
Chapter:	Accounting and Financial Reporting		
Part:	Interfund and Interagency Transactions		
Section:	Lottery		
APPROVED:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy provides guidance on accounting and financial reporting for lottery moneys.

AUTHORITY:
ORS 291.015
ORS 293.130
ORS 293.265
ORS 293.590
ORS 461.020
ORS 461.180
ORS 461.500 - 461.540

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

DEFINITIONS: **Lottery Revenue –** money received by the Oregon State Lottery (OSL) for the sale of tickets and games. By law, OSL must return at least 84 percent of total annual revenues to the public; of that, at least 50 percent must be in the form of prizes and OSL must use the remainder for the public purposes authorized by voters and set forth in the Oregon Constitution. OSL may use no more than 16 percent of total annual revenues for administrative expenses.

Click here for other **definitions**.

POLICY:

101. Agency management must ensure the proper accounting and reporting of lottery moneys received by their agency. Agencies must account for transactions related to lottery moneys in accordance with generally accepted accounting principles.

PROCEDURE:

102. The State Lottery Fund shall receive all proceeds from the sale of lottery tickets or shares, and all other moneys credited to the Oregon State Lottery from any other lottery related source.

103. ORS 461.540 establishes the Administrative Services Economic Development Fund (DASEDF) in the legal general fund. All lottery revenues transferred from the State Lottery Fund, available

to benefit the public purposes as specified by law, that are in excess of distributions or allocations required by law, shall be held in the DASEDF.

104. The Department of Administrative Services, Chief Financial Office (CFO) will prepare an **allocation plan** on a quarterly basis for the **biennium** in accordance with current law specifying the amounts that the legislature allocated to each program from the DASEDF. CFO prepares the allocation plan based on anticipated revenues.

105. When CFO prepares the quarterly allocation plan, allocations will be one eighth of the biennial allocation amount, assuming no revenue shortfalls will occur.

106. Based on the actual quarterly revenue transfer from the Oregon State Lottery, CFO prepares a quarterly **allocation schedule** to distribute the appropriate balances from the DASEDF to various agencies and programs in accordance with current law.

107. Department of Administrative Services, Shared Financial Services (SFS) will distribute the lottery proceeds to recipient agencies based on the quarterly allocation from CFO, within four business days after receipt of funds from the Oregon State Lottery.

108. CFO procedures for the distributions take into account potential shortfalls. If in any quarter, the moneys transferred from the State Lottery Fund to the DASEDF are insufficient to distribute the quarterly allocation, CFO will satisfy debt service obligations and then reduce the remaining allocations proportionately in sufficient amounts to accommodate the revenue shortfall.

109. CFO allocates interest earned on moneys deposited in the DASEDF, and any moneys returned to the DASEDF, in the next quarterly allocation schedule.

110. The receiving agency will expend lottery moneys and related interest earnings only for the purposes of the authorized program and in accordance with constitutional and statutory requirements.

111. Agencies will deposit all lottery funds in State Treasury accounts that earn interest. By statute, lottery funds are part of the legal general fund. However, statutes require that interest earned on lottery funds accrue to the account in which the agency deposits the funds. Therefore, Treasury does not deposit lottery funds to Treasury fund 0401, the treasury general fund.

112. SFS will request the State Treasurer to set up any Treasury accounts authorized by law for the deposit of lottery fund allocations.

113. Agencies will return unexpended moneys, including unexpended interest earnings, to the DASEDF upon completion of the program or project for which they received the lottery funds.

114. The receiving agency will record the receipt of lottery fund proceeds in a separate accounting fund for tracking purposes. A balanced transfer is used to move lottery proceeds between agencies:

TC 720: To record transfer to other funds/agencies

DR 3550 Operating Transfers Out (CO 180X Transfer Out to State Agency)	xxx	
CR 0070 Cash on Deposit with Treasurer		xxx
Requires use of an appropriate G38 code		

TC 721: To record transfer from other funds/agencies

DR 0070 Cash on Deposit with Treasurer xxx
CR 3150 Operating Transfers In (CO 1306 Transfer In from DAS) xxx
Requires use of an appropriate G38 code

115. GAAP require recognition of transfers in the accounting period in which the interfund receivable and payable arise. Accordingly, at fiscal year end, SFS will record accruals for amounts due to agencies and agencies will record accruals for amounts due from the DASEDF for distributions related to the quarter ended June 30. These accruals will be coordinated through SFS and will balance statewide. The amount due an agency from the DASEDF is entered in R*STARS with the following balanced entries:

TC 919: To record the distribution due an agency from the DASEDF at June 30 (auto reverses)

DR 3550 Operating Transfers Out Control (CO 180X Transfer Out to State Agy) xxx
CR 1532 Due To Other Funds/Agencies xxx
Requires an Agency General Ledger account and G38 code

TC 920: To record the lottery distribution due from DASEDF at June 30 (auto reverses)

DR 0586 Due From Other Funds/Agencies xxx
CR 3150 Operating Transfers In Control (CO 1306 Transfer in from DAS) xxx
Requires an Agency General Ledger account and G38 code

116. Moneys associated with lottery fund two-year expired warrants remain in treasury fund 0539, which is part of the legal general fund. For this reason, SFMS Operations reports lottery two-year warrant expirations to the Department of State Lands and records a deposit liability in D23 fund 0539.

DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT: Accounting and Reporting **DIVISION:** Chief Financial Office	**Number:** 15.50.00 **Effective date:** July 1, 2011
Chapter: Accounting and Financial Reporting **Part:** Inventories **Section:**	
APPROVED: George Naughton, Chief Financial Officer	Signature on file

PURPOSE: This policy provides guidance on accounting and financial reporting for inventories.

AUTHORITY: **ORS 293.590**
NCGA Statement No. 1
GASB Statement No. 34
GASB Statement No. 54

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**.

DEFINITIONS: **Inventories** generally consist of materials and supplies on hand for future consumption. Inventories may also include goods held for resale.

Under the **purchases method** of accounting for inventory, inventory is recorded as an expenditure when the items are purchased. Significant amounts of inventory on hand at yearend must be reported as an asset on the balance sheet.

Under the **consumption method** of accounting for inventory, inventory is recorded as an asset when purchased and the recognition of an expense is deferred until the period the inventory is actually used.

POLICY:

101. Agency management is responsible for the proper accounting and reporting of inventories.

102. Agencies must conduct an annual physical inventory of all significant materials, supplies, and goods held for resale. A record of the physical inventory must be maintained. Significant discrepancies between the physical inventory and the agency's accounting records must be investigated and documented for audit purposes.

103. Upon completion of the physical inventory, agencies must adjust the general ledger to reflect the value of the inventories on hand using the first in, first out (FIFO) costing method. The computations to value inventory must be retained for audit purposes.

PROCEDURES:

Governmental Funds

104. In governmental funds, account for materials and supplies inventories using the purchases method. Report significant amounts of inventories on hand at fiscal yearend in governmental funds as an asset, offset by nonspendable fund balance.

105. If the proceeds from the sale of inventories held for resale are restricted, committed, or assigned to a specific purpose, do not offset this inventory account by nonspendable fund balance. Instead, report the related fund balance in the applicable fund balance classification (see OAM 15.85.00).

106. Account for materials and supplies on hand for future consumption in GL 0600 – Inventories-Materials and Supplies. Account for inventories held for resale in GL 0601 – Inventories-Stores for Resale.

107. Use transaction code 502 to record and adjust inventories in a governmental fund.

TC 502: To adjust inventories of materials and supplies and inventories held for resale (where the sales proceeds are not restricted, committed, or assigned to a specific purpose) using comptroller object 7500 – Increase/Decrease in Governmental Inventories.

DR 0600	Inventories-Materials and Supplies	2,000	
or 0601	Inventories-Stores Held for Resale		
DR 3075	Change in Reserves	2,000	
CR 3031	Nonspendable FB-Inventory		2,000
CR 3600	GAAP Expenditure Offset (C/O 7500)		2,000

108. Use transaction code 500 in a governmental fund *only* in the following situation.

TC 500: To adjust inventories held for resale (where the sales proceeds are restricted, committed or assigned to a specific purpose) using the same comptroller object used to record the initial purchase.

DR 0601	Inventories-Stores Held for Resale	2,000	
CR 3600	GAAP Expenditure Offset (C/O XXXX)		2,000

Proprietary Funds

109. In proprietary funds, account for inventories using the consumption method.

110. Use transaction code 500 to record and adjust inventories in a proprietary fund.

TC 500: To adjust inventories held for resale (where proceeds are restricted, committed or assigned) using the same comptroller object used to record the initial purchase.

DR 0600	Inventories-Materials and Supplies	2,000	
or 0601	Inventories-Stores Held for Resale		
CR 3600	GAAP Expenditure Offset (C/O XXXX)		2,000

Physical Inventories

111. Conduct a physical inventory at least annually of supplies held for resale or used in production to verify their existence and the quantity on hand. For office supplies, conduct an annual physical inventory only if the dollar amount of the inventory is significant. Investigate significant discrepancies between the physical count and the agency's accounting records, document the reasons, and take corrective action. For audit purposes, retain documentation in the agency's central accounting office of the results and location of all physical inventories taken.

112. Upon completion of the physical inventory, adjust the general ledger to reflect the cost of the inventories on hand using the FIFO costing method. If inventories vary significantly over time, prepare a worksheet to analyze the change between the physical inventory date and June 30 and adjust the accounting records to reflect the estimated change. For audit purposes, retain all costing documentation to substantiate the inventory values reported at June 30.

Perpetual Inventory Systems

113. If a perpetual inventory system is used, at a minimum, maintain the following records:

- Quantity on hand
- Quantity received
- Invoice unit price
- Vendor
- Date received
- Quantity issued
- Date issued
- Requisition number

Update the inventory records daily. Do not receive or dispense inventory in the stock room unless documented in writing, with a copy retained as part of the agency's records. If an electronic authorization is used, retain the records for audit purposes.

OREGON ACCOUNTING MANUAL

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES STATEWIDE POLICY	**NUMBER** 15.51.00	**SUPERSEDES** N/A – No prior policy
	EFFECTIVE DATE 01/22/2018	**PAGE NUMBER** Page 1 of 6
Division **Chief Financial Office** **Policy Owner** Statewide Accounting and Reporting Services (SARS)	**REFERENCE/AUTHORITY** ORS 291.040 ORS 293.590 GASB Codification 2100 GASB Codification 2600 GASB Statement No. 62, paragraph 174(g)	
SUBJECT Accounting and Financial Reporting – Outstanding Balances with Component Units	**APPROVED SIGNATURE** ***George Naughton, Chief Financial Officer*** ***Signature on file***	

PURPOSE: This policy provides guidance on accounting and financial reporting related to receivables from, and payables to, the State's component units.

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

DEFINITIONS: **Component Unit**: A legally separate organization for which the elected officials of the primary government are financially accountable.

Discretely Presented: The method of reporting financial data of **component units** in columns and rows separate from the financial data of the primary government.

Click here for other **definitions**.

POLICY:

101. Agency management must ensure the proper accounting and financial reporting of receivables from, and payables to, (collectively referred to as "outstanding balances") the State's **component units** (CUs).

102. **Generally Accepted Accounting Principles** (**GAAP**) requires outstanding balances between the primary government (i.e. state agencies) and CUs be reported separately from other receivables and payables.

103. Agencies must include all outstanding balances with all CUs in their accounting records, this OAM only provides direction as to which accounts report the outstanding balances with CUs.

104. The following are included in the **State Comprehensive Annual Financial Report** (CAFR) as component units, all of which are **discretely presented**:

a. Agency 435 – SAIF Corporation (12/31 fiscal year end)

b. Agency 590 – Oregon Health & Science University (6/30 fiscal year end)

c. Agency 591 – University of Oregon (6/30 fiscal year end)

d. Agency 592 – Oregon State University (6/30 fiscal year end)

e. Agency 593 – Portland State University (6/30 fiscal year end)

f. Agency 594 – Western Oregon University (6/30 fiscal year end)

g. Agency 595 – Southern Oregon University (6/30 fiscal year end)

h. Agency 596 – Eastern Oregon University (6/30 fiscal year end)

i. Agency 597 – Oregon Institute of Technology (6/30 fiscal year end)

j. Agency 625 – State Fair Council (12/31 fiscal year end)

k. Agency 913 – Oregon Affordable Housing Assistance Corporation (12/31 fiscal year end)

105. Agencies must use the following general ledger (GL) accounts in **R*STARS**, to report outstanding balances with component units, applying the requirements of paragraphs 112 through 115.

a. GL 0587 – Due from Component Units. This represents the moneys the agency expects to receive from the CU within one year.

b. GL 0951 – Advances to Component Units. This represents the moneys the agency expects to receive from the CU beyond one year.

c. GL 1533 – Due to Component Units. This represents the moneys the agency expects to pay the CU within one year.

d. GL 1805 – Advances from Component Units. This represents the moneys the agency expects to pay the CU beyond one year.

Agencies not using R*STARS should report these types of receivables and payables similarly in their accounting system.

PROCEDURES:

Loan agreements with CUs – applies to governmental funds and proprietary funds

Record original balances

106. Upon execution of a loan agreement with a CU, the agency must establish the receivable in **R*STARS**. If the loan proceeds are available to the CU only upon state agency approval of a qualifying expenditure, a liability to the CU must also be established.

As an example, if an agency enters into an agreement to loan a CU $1,000,000, and the agency must approve the CU expenditures prior to reimbursing the CU, use the following to record the entry:

TC 458: To record the loan as a receivable from the CU.

DR 0951 Advances to Component Units	1,000,000	
CR 3600 GAAP Expenditure Offset (6875 Loans Made - Other)		1,000,000

TC 458R: To record an advance from CU for the undistributed proceeds

DR 3600 GAAP Expenditure Offset (6875 Loans Made – Other)	1,000,000	
CR 1805 Advances from Component Units		1,000,000

107. In a loan agreement between an agency and a CU, there are no premiums, discounts, or deferred gains or losses on refunding directly associated with the loan arrangement. If the agency or CU issue debt to provide funding for the loan agreement, and the issued debt has premiums, discounts, or deferred gains or losses on refunding, they remain with the related debt, not the loan agreement. See **OAM 15.65.10** *Bonds and COPs* and **OAM 15.65.30** *Debt Refunding* for guidance pertaining to the debt.

a. If there is a difference between moneys provided to a CU pursuant with a loan agreement, and the loan agreement itself (likely because there is a premium or discount related to a debt issued to fund the loan), that difference is recognized as a revenue or expense in the period in which the loan agreement is executed.

Expanding upon the example from paragraph 106, if the agency obligated itself to provide an additional $15,000 to the CU related to the proceeds from a premium received on the related debt offering, it would record the transaction as follows:

TC 458R: To record an advance from CU for the undistributed proceeds

DR 3600 GAAP Expenditure Offset (645X Dist. to CU)	15,000	
CR 1805 Advances from Component Units		15,000

Note*: Using the same scenario, except there is a discount on the underlying debt offering rather than a premium, the agency shall record a one-time revenue using TC 473 (GL 0951 Advances to Component Units and C/O 1105 Other Revenue)*

<u>Record distributions to CU and reduce amount owed to CU</u>

108. Continuing the example started in paragraph 106, the CU has incurred $200,000 in qualifying expenditures and the agency is prepared to reimburse the CU, record the transaction as follows:

TC 222: To record payable to CU

DR 3501 Expenditure Control Accrued (6875 Loans Made – Other)	200,000	
CR 1211 Voucher Payable		200,000

TC 458: To reduce the advance from CU.

DR 1805 Advances from Component Units	200,000	
CR 3600 GAAP Expenditure Offset (6875 Loans Made - Other)		200,000

Record principal and interest receipts from CU and reduce advance to CU

109. Next in the example, the CU makes an $85,000 payment on the loan, with $25,000 representing principal and $60,000 representing interest. Record the transaction as follows:

TC 190: To record principal portion of receipt from CU

DR 0065 Unreconciled Deposit	25,000	
CR 3100 Revenue Control – Cash (1104 Other Loan Repayment)		25,000

TC 190: To record interest portion of receipt from CU

DR 0065 Unreconciled Deposit	60,000	
CR 3100 Revenue Control – Cash (0801 Interest on Program Loans)		60,000

TC 473R: To reduce the advance to CU

DR 3200 GAAP Revenue Offset (1104 Other Loan Repayment)	25,000	
CR 0951 Advances to Component Units		25,000

Record current portions of advance to and from CU

110. To continue the example, at year-end, the agency needs to reclassify both the amount expected to be received from the CU within the next 12 months and the amount expected to be paid to the CU within the next 12 months as a current asset and current liability, respectively. The current portion of the asset should be based on the repayment schedule (assumed to be $30,000), while the current portion of the liability should be based on an estimate provided by the CU (assumed to be the remaining balance of $800,000).

TC 474: To record the current portion of the receivable from the CU ($30,000)

DR 0587 Due from Component Units	30,000	
CR 2951 System Clearing General Ledger Level Only		30,000

TC 474R: To reduce the noncurrent portion of the receivable from the CU ($30,000)

DR 2951 System Clearing General Ledger Level Only	30,000	
CR 0951 Advances to Component Units		30,000

TC 475: To record the current portion of the payable to the CU ($800,000)

DR 2951 System Clearing General Ledger Level Only	800,000	
CR 1533 Due to Component Units		800,000

TC 475R: To reduce the noncurrent portion of the payable to the CU ($800,000)

DR 1805 Advances from Component Units	800,000	
CR 2951 System Clearing General Ledger Level Only		800,000

Accrue interest receivable on advance to CU

111. At year-end the agency will need to accrue an interest receivable equal to the amount of interest attributable to the period beginning the day after the last interest receipt and June 30. The interest accrual period shall be based on the loan agreement, not the underlying debt issue, if any. Therefore, to finalize the example, if the most recent interest receipt was April 30, and the next interest receipt is $55,000, due August 31, the interest accrual would be $27,500 (2/4 * $55,000).

TC 436: To accrue an interest receivable on an advance to CU

DR 0587 Due from Component Units	27,500	
CR 3105 Revenue Control – F/S Accrual (0801 Int. on Program Loan)		27,500

TC 436 will auto-reverse with TC 981.

Year-end Reporting of Outstanding Balances with CUs

112. For purposes of recording the balance in the accounting system, completing the agency disclosure, and confirming with CUs, outstanding balances with CUs should be grouped in a reasonable manner consistent with the nature of the transaction resulting in the balance, be that by program, location, purpose, etc.

113. The following types of balances are to be excluded from the grouping process, and therefore are not to be reported as an outstanding balance with a CU, regardless of the dollar amount:

a. Retirement plan contributions.

b. Other postemployment benefit plan contributions.

c. Payroll tax related liabilities, such as state income tax withholding and unemployment assessments.

114. Once agencies have grouped their outstanding balances with CUs in a manner consistent with paragraphs 112 and 113, they shall apply a minimum threshold (“floor”) of $100,000 to each grouping. If the grouping is in excess of the floor, the agency shall reclassify the outstanding balance and report it as an outstanding balance with a CU, in a manner consistent with paragraph 105. If the balance is less than $100,000, the agency shall review the exceptions (discussed in paragraph 115). If an exception does not apply, the agency shall not reclassify the balance in its accounting system to report the balance as outstanding with a CU, but rather in a manner consistent with balances outstanding with non-CUs.

For agencies using **R*STARS**, to reclassify the outstanding balances to these GL accounts, agencies should use TCs 474, 474R, 475, and 475R, as applicable. These TCs do not auto-reverse, so agencies will need to manually reverse these reclassifications in the subsequent fiscal year.

115. The $100,000 floor described in paragraph 114 does not apply to the following types of balances:

a. Undistributed bond/COP proceeds owed to a CU; and

b. The principal and interest balances of receivables from a CU pursuant to a loan agreement, such as small energy loan program and certain debt management agreements between the State and university CUs.

Therefore, agencies would continue to report these as outstanding balances with CUs, consistent with paragraph 105, even if the balance was below the $100,000 floor.

116. Agencies shall submit to SARS, as part of its agency disclosure packet, a document detailing the outstanding balances, based on their grouping, as discussed in paragraphs 112 through 115. For those agencies using **R*STARS**, the amounts on the agency disclosure must agree to the applicable general ledger accounts described in paragraph 105.

Confirming Outstanding Balances with CUs

117. Agencies must confirm the outstanding balances groupings (as determined in paragraphs 112 through 115) directly with those CUs with a 6/30 fiscal year end (as identified in paragraph 104) to ensure that both agree to the amount outstanding and its status as current or noncurrent (i.e. long-term). The confirmation must be documented as part of the agency disclosure packet referenced in paragraph 116, which is submitted to SARS. CU contacts shall be maintained by SARS on the CAFR Contacts List, and be made available on the SARS website.

118. After confirming the outstanding balances with the CUs, agencies may need to create a new grouping, add to an existing grouping, or deduct from an existing grouping. After the confirmation with the CU, agencies must apply the requirements of paragraphs 112 through 115 to their new or adjusted groupings.

119. If there is any disagreement between the agency and CU about the outstanding balance, SARS should be contacted for resolution.

120. Confirmation with CUs that have a 12/31 fiscal year end (as noted in paragraph 104) is not necessary. However, all other aspects of this OAM and the agency disclosure form must be completed.

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	**Number:**	15.55.00
Division:	Chief Financial Office	**Effective date:**	July 1, 2013
Chapter:	Accounting and Financial Reporting		
Part:	Non-Capital Assets		
Approved:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy provides guidance on accounting for non-capital assets, including non-capital intangible assets.

AUTHORITY: **ORS 293.590**

APPLICABILITY: This policy applies to all state agencies included in the state's annual financial statements, except those agencies specifically exempted by **OAM 01.05.00**.

DEFINITION: **Non-capital assets:** Tangible or intangible property used in agency operations having an initial estimated useful life of one year or more and an initial cost (including **ancillary charges**) of less than $5,000. Examples of tangible non-capital assets: cell phones, calculators, laptop computers, firearms, and software. Examples of intangible non-capital assets: easements, water or mineral rights, trademarks, patents and software.

Click here for other **definitions**.

POLICY:

101. Agency management must ensure the proper accounting and reporting of non-capital assets and establish a system of internal control that reduces the risk of theft or other loss.

102. Record non-capital assets as expenditures or expenses. Do not record them in the capital asset general ledger (GL) accounts.

103. When disposing of surplus non-capital assets, contact the Department of Administrative Services (DAS), State Surplus Property Program for instructions.

104. In addition to this policy, **Statewide IT Policy 107-004-010**, *Information Technology Asset Inventory and Management*, applies to *all* IT assets (including non-capital IT assets).

PROCEDURES:

105. When an agency acquires a non-capital asset, record it as an expenditure in governmental funds or an expense in proprietary and fiduciary funds. Charge the non-capital asset to the services and supplies comptroller object that best matches the nature of the asset acquired.

106. Statewide IT Policy 107-004-010 requires agencies to tag non-capital IT assets and to maintain an inventory. Agencies may use their subsidiary property ledgers to establish the inventory.

107. Statewide IT Policy 107-004-010 also requires agencies to conduct an annual physical inventory.

108. Agencies are encouraged to apply the internal control measures discussed in paragraphs 106 and 107 to other non-capital assets at high risk of loss:

- Computers and electronic equipment
- Photography equipment
- Firearms
- Hand tools
- Any non-capital assets assigned to employees, contractors, and volunteers

109. When disposing of surplus non-capital assets, follow the guidelines established by DAS, State Surplus Property Program unit. Use the form designated by the State Surplus Property Program to facilitate the disposal. The form will serve as documentation of the removal of non-capital assets from the agency's subsidiary property ledgers.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	**Number:**	15.60.10
Division:	Chief Financial Office	**Effective date:**	September 16, 2017
Chapter:	Accounting and Financial Reporting		
Part:	Capital Assets		
Section:	Classification and Capitalization		
Approved:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy provides guidance on accounting and financial reporting for capital assets.

AUTHORITY:
ORS 293.590
GASB Statement No. 34
GASB Statement No. 42
GASB Statement No. 51
GASB Statement No. 72
GASB Comprehensive Implementation Guide 2016-1, Q. 4.71

APPLICABILITY: This policy applies to all state agencies included in the state's annual financial statements, except those agencies specifically exempted by **OAM 01.05.00**.

DEFINITIONS:

Capital Assets: Tangible or intangible property used in agency operations having an initial estimated useful life of more than one year and an initial cost (including **ancillary charges**) of $5,000 or more. This definition does not include assets held primarily for resale; agencies account for these assets as inventory.

Acquisition Value: A market based entry price, representing the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

Click here for other **definitions**.

POLICY:

101. Agency management must ensure the proper accounting and reporting of **capital assets** and establish a system of internal controls that reduces the risk of theft or other loss. Agencies should refer to **OAM 15.60.40**, *Intangible Assets* for specific guidance on accounting for intangible capital assets.

102. Record **capital asset** additions in the appropriate capital asset general ledger (GL) accounts. Assets that cost less than $5,000 must be expensed according to **OAM 15.55.00**, *Non-Capital Assets*.

103. If an agency uses estimated historical cost to capitalize an asset, ensure the estimate is reasonable and supported by documentation that adequately describes the methodology and assumptions used to arrive at the estimate. Once calculated, reduce the estimated historical cost by an appropriate amount of accumulated depreciation or amortization.

104. Depreciate or amortize **capital assets** with limited lives on a straight-line basis according to **OAM 15.60.20**, *Depreciation and Amortization*. Do not depreciate or amortize capital assets with indefinite lives.

105. Reconcile **capital outlay** expenditures and property disposition records to the subsidiary property ledgers; reconcile the subsidiary property ledgers to the **capital asset** GL control accounts. Perform these reconciliations at least quarterly.

106. Conduct an annual physical inventory of **capital assets**.

107. When an agency sells or retires a **capital asset**, remove the asset and accumulated depreciation from the GL control accounts and the subsidiary property ledger, and recognize any gain or loss arising from the disposition. When disposing of surplus capital assets, contact the Department of Administrative Services (DAS), Enterprise Goods and Services Division, Surplus Property unit for instructions.

108. In addition to this policy, Statewide IT Policy 107-004-010, *Information Technology Asset Inventory and Management*, applies to *all* IT assets.

PROCEDURES:

Classification

109. The Statewide Accounting and Reporting Services (SARS) combines and reports the **capital asset** general ledger accounts in the state's **Comprehensive Annual Financial Report (CAFR)** under the following classifications:

- Land (not depreciated or amortized; includes land use rights with indefinite lives)
- Construction in Progress (not depreciated)
- Works of Art and Other Nondepreciable Assets (not depreciated/amortized)
- Buildings, Property, and Equipment (includes amortizable intangible assets)
- Infrastructure
- Accumulated Depreciation and Amortization
- Invested in Capital Assets, Net of Related Debt

The GL accounts included within each of these reporting categories appear on the D31 profile in **R*STARS,** as defined below.

110. Land: Assets capitalized as part of this classification are not subject to depreciation or amortization. Record land in the following GL accounts.

- *Land* – Record the carrying value of land owned by the agency in this GL account. When an agency purchases land, the capitalized cost includes the purchase price and any costs incurred to place the land in condition for its intended use, such as legal fees, title fees, surveying costs, appraisal and negotiation charges, site preparation and excavation costs (clearing, filling, and leveling) and similar costs. If an agency purchases land for a building site, add the demolition costs to remove existing buildings to the cost of the land. If an agency acquires land by donation, the amount capitalized represents the estimated **acquisition value** at the time of donation, plus **ancillary charges**, if any. Account for land purchased for resale as inventory, not as a **capital asset**. Do not depreciate land.

Note: *Capitalize only those acquisition costs directly identifiable with a specific asset. For example, do not capitalize the cost of a site assessment or feasibility study undertaken to determine the best location for constructing a new building. Costs incurred during this early stage are not identifiable to a specific property. Capitalize such costs only if incurred after acquisition of the related asset becomes probable (i.e., likely to occur).*

- *Land Use Rights (not amortized)* – The cost of land use rights obtained by contract or other legal right that the agency must account for separately because the agency did not acquire the rights as part of the purchase or donation of the underlying land (see OAM 15.60.40, *Intangible Assets*). Land use rights recorded in this GL account have indefinite lives, for example, a permanent easement.

111. Construction in Progress: Use this GL account to record the costs of unfinished construction or capital improvement projects (i.e. labor, materials and overhead). When a project is complete (i.e., the asset is ready for its intended use), reclassify the capitalized costs from Construction in Progress to the appropriate **capital asset** GL account (e.g., Buildings and Building Improvements). Do not depreciate Construction in Progress. Do not begin depreciating a capital asset until the agency places the asset in service.

112. Works of Art and Other Nondepreciable Assets (not depreciated/amortized): Do not depreciate or amortize assets capitalized as part of this classification. Record these assets in the following GL Accounts.

- *Works of Art and Historical Treasures (not depreciated)* – Includes works of art and historical artifacts, held as individual items or in a collection, that are considered inexhaustible; i.e., their economic benefit or service potential is used up so slowly that their estimated useful lives are extraordinarily long. Examples include statues, paintings, sculptures, and historical documents or artifacts.

  Note: *For items considered exhaustible, or depreciable, see paragraph 113 below.*

  Normally, agencies report collections of works of art and historical treasures in the financial statements. However, agencies are not required to capitalize collections if they meet *all* of the following criteria:

  a. The collection is held for reasons other than financial gain (i.e., public exhibition, education, or research as a public service, rather than financial gain).

  b. The collection is protected, kept unencumbered, cared for, and preserved.

  c. The collection is subject to a policy that requires the agency to use the proceeds from sales of collection items to acquire other items for collections.

- *Other Nondepreciable Assets (not depreciated/amortized)* – Includes the cost of intangible assets (other than land use rights) with indefinite lives, such as a trademark.

113. Buildings, Property and Equipment: Depreciate or amortize assets capitalized as part of this classification. Record these assets in the following GL accounts.

- *Works of Art and Historical Treasures (depreciable)* – Includes works of art or historical treasures, held as individual items or in a collection, that are exhaustible, such as exhibits whose useful lives are diminished by display, educational, or research purposes.

  ***Note**: Agencies record artwork acquired as the result of the "one percent for arts" provision contained in ORS 276.080 in GL account, Buildings and Building Improvements.*

- *Equipment and Machinery* – Tangible property of a permanent nature (other than land, buildings, and improvements to land or buildings) used in agency operations. Examples include machinery, tools, and equipment.

  ***Note**: Do not capitalize data processing hardware in this account. See below.*

- *Motor Vehicles* – Includes cars, vans, trucks or other motorized vehicles used in agency operations.

- *Data Processing Software* – Computer and Web site software programs purchased, internally generated, or acquired through a licensing agreement. See **OAM 15.60.40**.

- *Data Processing Hardware* – Computers and peripheral equipment, such as modems and servers.

- *Buildings and Building Improvements* – Use this GL account to record the cost of permanent structures (and improvements to structures) used to house people or property. Also, include the cost of fixtures attached to and forming a permanent part of a building. When constructing a new building on land owned by the agency, include the cost of demolishing existing buildings in the cost of the new building. Record the value of land associated with buildings separately in the GL account, Land. Outbuildings related to airports, buildings associated with roadways, or buildings that are considered historical treasures, normally, are not recorded in this account.

- *Land Improvements* – Includes the costs of permanent improvements, other than buildings, that add value to land. Examples include fences, gates, retaining walls, pedestrian bridges, sidewalks, paved paths, parking lots, lighting, irrigation systems, septic systems, swimming pools, fountains, signage, kiosks, and landscaping.

- *Leasehold Improvements* – The cost of permanent additions or improvements made to a leased asset that reverts to the owner of the property upon termination of the lease.

- *Capital Leased Property* – Property acquired through a lease that meets the criteria for capitalization. See **OAM 15.60.30**, *Capital Leases*.

- *Land Use Rights (amortizable*) – The cost of land use rights obtained by contract or other legal right that the agency must account for separately because the agency did not acquire the rights as part of the purchase or donation of the underlying land (see OAM 15.60.40, *Intangible Assets*). Limit the useful life of assets recorded in this GL account to the term of the contract or legal right. Examples include non-permanent easements and water, mineral, and timber rights.

- *Other Intangible Assets (amortizable)* – The cost of intangible assets (other than land use rights) that have limited lives, for example, patents.

114. Infrastructure: Infrastructure assets are long-lived **capital assets** that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, water and sewer systems, and lighting systems. Do not consider buildings as infrastructure assets, except buildings that are an ancillary part of a network of infrastructure assets, such as road maintenance shops associated with roadway systems. Infrastructure capital assets are subject to depreciation and are recorded in the following GL accounts.

- *State Highways* – All state highway roads maintained by an agency including interstate highways, principle arterials, minor arterials, major collectors and minor collectors. Costs includes construction of the road, associated lighting, signage, traffic control devices, pipes, wires, guard rails, culverts, drainage systems, and retaining walls. Also, include maintenance buildings (such as sand sheds) and rest areas if the agency considers these items a subsidiary part of state highways.

- *Other Roads* – Any graveled or paved section of land maintained by an agency and used by motorized vehicles, not associated with state highways. Costs includes construction of the road, associated lighting, signage, traffic control devices, pipes, wires, guard rails, culverts, drainage systems, and retaining walls. Also, include maintenance or other buildings connected with the roadways.

- *Tunnels and Bridges* – Tunnels, bridges, trestles, and other similar items needed for the construction of roadway systems.

- *Airports* – Any airport maintained by an agency. An airport includes elements such as air traffic control structures, hangers, taxiways, runways, fueling stations, outbuildings, helicopter landing pads, and lighting.

- *Utility Systems* – Systems designed to deliver facility services including, for example, sanitary sewer collection systems (not septic systems), fiber optics systems, water distribution systems, electrical distribution systems, and vehicle fuel distribution systems. These systems differ from land improvements in that they are not an integral part of the operation of a single building. Example: Classify a septic system that is integral to the operation of a single building as a land improvement, rather than as infrastructure.

- *Docks, Dikes and Dams* – Infrastructure including docks, piers, dikes, levies, seawalls, dams and structures associated with dams, wharves, and other similar assets.

Acquisitions

115. Account for **capital assets** purchased with resources from **proprietary funds** or **fiduciary funds**, or capital assets donated to those funds, within the GL accounts of those funds. Capital assets purchased with resources from **governmental funds,** or donated to governmental funds, are considered *general* capital assets (assets associated with governmental activities). Account for general capital assets in the **government-wide reporting fund**.

116. Agencies may acquire **capital assets** by purchase (with or without trade-in), construction, capital lease agreement, installment purchase contract, donation, transfer from another fund or agency, eminent domain, or by foreclosure. *Normally, agencies intend to resell assets acquired through foreclosure. Record items for resale as inventory rather than capital assets.*

117. Purchase: Report purchased **capital assets** at historical cost. The cost of a capital asset includes **ancillary charges** necessary to place the asset into service. Ancillary charges include

costs that directly relate to acquisition of an asset, such as freight and handling charges, insurance on the asset while in transit, site preparation costs, and assembly or installation costs to get the asset ready for its intended use and location.

118. When an agency purchases a **capital asset**, use the **capital outlay** expenditure/expense comptroller object that best matches the nature of the asset acquired. Comptroller objects for capital outlay appear on the D10 profile in **R*STARS** and are included in the range 5000 through 5999 (e.g., 5800 Buildings and Improvements). The following entries illustrate how to record the purchase and capitalization of equipment acquired with governmental fund resources.

<u>Governmental Fund</u>

Generic entry to record expenditure using comptroller object 5150 - Equipment and Machinery.

DR Expenditure (C/O 5150)	5,000	
CR Cash		5,000

<u>Government-wide Reporting Fund</u>

T-code 545: To capitalize the asset using comptroller object 5150 - Equipment and Machinery.

DR 0815 Equipment and Machinery	5,000	
DR 3074 Change in Capital Assets	5,000	
CR 3018 Invested in Capital Assets		5,000
CR 3600 GAAP Expenditure Offset – C/O 5150		5,000

119. <u>Additions or Improvements to Existing Assets:</u> The historical cost of a **capital asset** includes the cost of subsequent additions or improvements but excludes the cost of repairs and maintenance. An addition or improvement, unlike a repair, provides additional value, enhances a capital asset's functionality (effectiveness or efficiency), or extends a capital asset's expected useful life. Repairs and maintenance only retain value. Example: The periodic resurfacing of a road is expensed as a repair, while adding a new lane constitutes an addition that is capitalized.

Upon purchase or completion of an addition or improvement, the agency must reevaluate the estimates used in the depreciation calculations (remaining useful life and salvage value) and adjust them prospectively, if necessary.

120. <u>Purchase with Trade-In:</u> When the seller grants a trade-in allowance, record the cost of the new asset at the amount of the cash paid, plus the unexpired cost (asset less accumulated depreciation) of the trade-in surrendered. This rule applies to assets purchased and recorded in **proprietary funds**, **fiduciary funds**, and the **government-wide reporting fund**.

121. <u>Construction:</u> The cost of **capital assets** acquired through construction includes all the costs required to build the asset and get it ready for its intended use, such as architect fees, engineering fees, materials, labor, subcontractor charges, and other similar costs.

122. <u>Capitalized Interest</u>: When enterprise funds use tax-exempt debt to finance the capital construction of specified assets, capitalize the interest costs incurred during the construction period as part of the cost to construct the asset. Interest capitalization starts on the date of the borrowing and continues until the date the asset is ready for its intended use. Interest earned during this period on unspent borrowings reduces the amount the agency capitalizes. *Do not include capitalized interest in the cost of assets purchased with resources from governmental funds. Do not include capitalized interest in the cost of assets purchased with the resources of*

internal service funds, as these are governmental activities for government-wide financial reporting purposes.

123. Capital Lease Agreement: If a lease agreement meets the criteria of a capital lease, capitalize the related asset using an amount equal to the net present value of future minimum lease payments. See **OAM 15.60.30**.

124. Installment Purchase Contract: The cost of a **capital asset** acquired through an installment purchase contract does not include the interest charges contained in each payment. Expense the interest charges. See **OAM 15.60.40**, the final paragraph, for an example of how to account for an installment purchase contract. The example involves a software licensing agreement that is accounted for as an installment purchase contract.

125. Donation of **Capital Asset** by External Party: Report capital assets donated to an agency by an external party at their estimated **acquisition value** at the time of donation, plus **ancillary charges**, if any. It's important to note that acquisition value is a market-based entry price, which is the price to acquire an asset, rather than an exit price, which is the price to dispose of an asset. If the agency cannot readily determine the acquisition value, use an appraisal value. If an agency considers donated capital assets as **capital contributions**, report the amount of the contribution separately on the operating statement. The following entry illustrates the donation of equipment to a governmental fund.

Government-wide Reporting Fund

T-code 537R: To capitalize a donated asset using comptroller object 2550 - Capital Contributions.

DR 0815 Equipment and Machinery	5,000	
DR 3074 Change in Capital Assets		5,000
CR 3018 Invested in Capital Assets	5,000	
CR 3200 GAAP Revenue Offset (C/O 2550)		5,000

Note that there is **no** entry to be made directly in the governmental fund to record the donation. Only an entry to the **government-wide reporting fund** is made. If a **proprietary fund** receives a donated **capital asset**, it does recognize the donation as a capital contribution.

126. **Capital Assets** Used for Pollution Remediation: Agencies account for the estimated costs to acquire facilities and equipment that will be used exclusively in pollution remediation activities as a component of the pollution remediation obligation. Agencies record the eventual purchase of the facilities and equipment as a reduction of the previously recognized liability for pollution remediation outlays.

127. Transfer of Assets: When **capital assets** move from one agency to another, the receiving agency reports those assets at the net book value previously reported (that is, historical cost less accumulated depreciation) by the sending agency in the government-wide statement of net position. Consequently, the sending agency recognizes no gain or loss. Record the transfer in **R*STARS** as a two-step process.

Step 1: Select the appropriate transaction code from the list below to remove the depreciated portion of the capital asset from the sending agency's GL accounts. The receiving agency records the depreciated portion of the capital asset in its GL accounts using the same transaction code with an "R" (reverse).

TC	Description	DR GL (Accum Depr)	CR GL (Asset)
529	FA Disp/Adj-Motor Veh-Prop/Govt-Wide/Fid	0872	0816
530	FA Disp/Adj-Bldg&Imp-Prop/Govt-Wide/Fid	0875	0852
531	FA Disp/Adj-Land Impr-Prop/Govt-Wide/Fid	0867	0856
532	FA Disp/Adj-DP Sftwr-Prop/Govt-Wide/Fid	0868	0817
533	FA Disp/Adj-Equip&Mach-Prop/Govt-Wide/Fid	0869	0815
534	FA Disp/Adj-Lesehld Imp-Prop/Govt-Wide/Fid	0870	0862
535	FA Disp/Adj Cap L'sd-Prop/Govt-Wide/Fid	0871	0863
538	FA Disp/Adj-DP Hrdware-Prop/Gov-Wide/Fid	0873	0818
539	FA Disp/Adj-Art/His Tres-Prop/Gov-Wide/Fid	0876	0812
543	FA Disp/Adj-St Highways-Prop/Gov-Wide/Fid	0880	0840
544	FA Disp/Adj-Tun'l/Brid-Prop/Gov-Wide/Fid	0881	0842
546	FA Disp/Adj-LandUse Rght-Prop/Gov-Wide/Fid	0865	0849
547	FA Disp/Adj-Oth Intangib-Prop/Gov-Wide/Fid	0866	0820
551	FA Disp/Adj-Airports-Prop/Gov-Wide/Fid	0882	0843
552	FA Disp/Adj-Util Syst-Prop/Gov-Wide/Fid	0883	0844
553	Disp/Adj-Docks,Dikes,Dams-Prop/Gov-Wi/Fid	0884	0845
557	FA Disp/Adj-Oth Roads-Prop/Gov-Wide/Fid	0885	0841

Step 2: Use transaction codes 900 and 901 (a balanced transfer) to transfer the remaining net book value of the capital asset from one agency to another. The sending agency uses T-code 900 and the appropriate agency transfer-out comptroller object. The receiving agency uses T-code 901 and the appropriate agency transfer-in comptroller object.

Note*: If the transfer involves a capital asset that is fully depreciated, T-codes 900 and 901 are not required.*

Use comptroller objects 1301 and 1401 only when transferring the net book value of a capital asset from one fund to another fund within the same agency (not transfers between agencies).

See the chart below for details.

TC	Description	DR G/Ls	CR GLs	Optional G/Ls	Comp Object
900	Capital Asset Transfer Out Between Funds/ Agencies	3550, 3018	3074	0811-0863	1401, 1430, 1800-1999 GASB 38 transfer number required
901	Capital Asset Transfer In Between Funds/ Agencies	3074	3150, 3018	0811-0863	1201-1301, 1305-1490 GASB 38 transfer number required

Ownership is Unclear

128. Sometimes it is unclear who owns a particular **capital asset**. Uncertainty of ownership may arise when an agency maintains or uses an asset, but another governmental entity finances the capital asset and retains a reversionary interest or is responsible for replacement of the asset. Under these circumstances, the agency records the asset in its accounting records and depreciates the asset, if either of the following conditions apply:

- The agency is party to an arrangement that makes it responsible for maintaining the asset, or

- The agency is the party that uses the asset in its activities and makes the decisions regarding when and how the asset will be used and managed.

Estimated Historical Cost

129. Agencies may use a variety of methods to estimate the historical cost of a **capital asset** when invoices are no longer available. One method is to use historical sources, such as old vendor catalogs, to establish the average cost of obtaining a similar asset at the time of acquisition (the standard costing approach). Another approach is to deflate the current cost of a similar asset using an appropriate price index (normal costing or backtrending). In either case, once calculated, reduce the estimated historical cost by an appropriate amount of accumulated depreciation or amortization.

Example: An agency acquired an asset 10 years ago and the asset has an estimated remaining useful life of 5 years. The current cost of a similar asset is $9,500, and the price index for that type of asset over the past 10 years is 1.90 (that is, a 90% increase).

$$\frac{\text{9,500 (cost of new asset)}}{\text{1.90 (price index)}} = \text{5,000 (estimated historical cost)}$$

$$\frac{\text{10 years (past service life)}}{\text{15 years (estimated total service life)}} \times \text{5,000 (estimated historical cost)} = \text{3,333 accum depr/amort}$$

Subsidiary Property Ledgers

130. Track and control **capital assets** by affixing permanent identification tags and recording them in subsidiary property ledgers. The tags must be pre-numbered and controlled. At a minimum, maintain the following details in the property ledgers:

a. Asset identification tag number

b. Asset description

c. Acquisition date

d. Acquisition voucher number

e. Acquisition cost for purchases or acquisition value for donations.

f. Location

g. Accumulated depreciation

h. Value for insurance coverage (usually replacement value). Refer to the *Property Self-Insurance Manual* maintained by DAS, State Services Division, Risk Management.

131. Agencies may also use subsidiary property ledgers to track and control non-capital IT assets and other non-capital assets at high risk of loss. In either case, do not record non-capital assets in the **capital asset** GL control accounts. See **OAM 10.50.00 PO,** *Capital and Non-capital Assets* for detailed internal control procedures related to capital and non-capital assets.

Reconciliations

132. Reconcile **capital outlay** expenditures to the additions recorded in the subsidiary property ledgers. If an agency budgets its **capital asset** purchases or construction as services and supplies expenditures, include those services and supplies comptroller objects in the reconciliation. Reconcile deletions recorded in the subsidiary property ledgers to the property disposition records. Lastly, reconcile the subsidiary property ledgers to the capital asset GL control accounts. Perform these reconciliations at least quarterly.

Physical Inventory Observation

133. Take a **physical inventory** of the agency's property at least annually to verify the existence of all items listed on the subsidiary property ledgers. Investigate and resolve discrepancies and adjust the GL control accounts accordingly. Maintain documented evidence that the agency has conducted a physical inventory.

Impairment

134. When a *significant, unexpected decline* in the service utility of a **capital asset** is determined to be a permanent impairment, reduce the carrying value of the capital asset by the amount of the impairment loss. For guidance, refer to **OAM 15.60.25**, *Capital Asset Impairments*.

Disposals and Retirements

135. As assets wear out or become obsolete, agencies may sell, scrap, or exchange them. When disposing of surplus **capital assets**, follow the guidelines established by DAS, State Services Division, Surplus Property unit. Use the property disposition request (PDR) form that agencies complete to dispose of surplus property as documentation for removing the asset from the agency's GL accounts and subsidiary property ledgers.

136. If an agency *permanently* retires a **capital asset** from service (either voluntarily or involuntarily) and does not immediately sell or otherwise dispose of the asset, the asset ceases to be a capital asset (because it no longer will be *used in operations*) and must be reclassified to state owned property held for sale (GL 0927). Report assets held for sale at the lower of book value or fair value.

137. **Proprietary Fund** Sale: When an agency sells an asset, remove the cost from the appropriate asset account and the related depreciation from the accumulated depreciation account. The difference between the unexpired cost (asset cost less accumulated depreciation) and the proceeds received on the sale equals the gain or loss.

138. The entries below illustrate the sale of a fully depreciated piece of equipment originally purchased by an enterprise fund for $50,000. At the time of sale, accumulated depreciation was $50,000. The equipment was sold for $20,000. Since the asset was fully depreciated, the entire $20,000 represents a gain on the sale.

Enterprise Fund

T-code 149: To record sale proceeds using comptroller object 2330 - Gain (Loss) on Disposition.

DR 0065 Unreconciled Deposit	20,000	
CR 3100 Revenue Control-Cash (C/O 2330)		20,000

T-code 533: To remove accumulated depreciation

DR 0869 Accumulated Depreciation – Equipment	50,000	
CR 0815 Equipment and Machinery		50,000

139. Sale of General **Capital Assets**: When an agency sells a general capital asset, remove the cost from the appropriate asset account and the related depreciation from the accumulated depreciation account in the **government-wide reporting fund**.

140. The entries below illustrate the sale of a partially depreciated vehicle originally purchased with special revenue fund resources for $20,000. At the time of sale, accumulated depreciation was $15,000. The vehicle was sold for $5,000.

Special Revenue Fund

T-code 149: To record sale proceeds received using comptroller object 2330 - Gain (Loss) on Disposition.

DR 0065 Unreconciled Deposit	5,000	
CR 3100 Revenue Control-Cash (C/O 2330)		5,000

Government-wide Reporting Fund

T-code 529: To remove accumulated depreciation.

DR 0872 Accumulated Depreciation – Motor Vehicles	15,000	
CR 0816 Motor Vehicles		15,000

T-code 537: To remove unexpired cost using comptroller object 2330 - Gain (Loss) on Disposition.

DR 3018 Invested in Capital Assets	5,000	
DR 3200 GAAP Revenue Offset (C/O 2330)	5,000	
CR 0816 Motor Vehicles		5,000
CR 3074 Change in Capital Assets		5,000

141. Trade-in: When the seller grants a trade-in allowance, record the cost of the new asset as the amount of the cash paid, plus the unexpired cost (asset cost less accumulated depreciation) of the trade-in surrendered. Remove the cost and accumulated depreciation of an asset traded-in from the accounts in conjunction with recording the acquisition cost of the new asset. This rule applies to assets purchased and recorded in **proprietary funds**, **fiduciary funds**, and the **government-wide reporting fund**.

Financial Statement Reporting

142. SARS combines **capital assets** into the asset categories noted above in paragraph 109 on the **proprietary funds** statement of net position, the statement of fiduciary net position, and the government-wide statement of net position. SARS reports accumulated depreciation/amortization as a contra account to capital assets in the proprietary funds statement of net position and the government-wide statement of net position. Capital assets are reported net of accumulated depreciation in the statement of fiduciary net position. SARS reports invested in capital assets, net of related debt, as a component of net position (equity) in the proprietary funds statement of net position and government-wide statement of net position.

143. SARS reports depreciation/amortization expense in **proprietary funds** as an operating expense in the statement of revenues, expenses and changes in fund net position. Depreciation/amortization expense in **fiduciary funds** is reported in the statement of changes in fiduciary net position as a part of administrative expenses. SARS reports depreciation/amortization expense in the **government-wide reporting fund** as a program expense in the applicable function for governmental or business-type activities.

144. SARS reports gains and losses on disposition of **capital assets** of a **proprietary fund** in nonoperating revenues/expenses in the statement of revenues, expenses, and changes in fund net position. Similar gains and losses in **fiduciary funds** are reported as part of administrative expenses.

145. SARS reports proceeds from the sale of *general* **capital assets** as other revenue in the governmental fund statement of revenues, expenditures and changes in fund balances. Although comptroller object 2330 - Gain (Loss) on Disposition of Assets is used to record sale proceeds, it rolls up to Other Revenue for governmental fund reporting purposes.

146. When an agency transfers a **capital asset** to a **proprietary fund** from the **government-wide reporting fund**, SARS reclassifies the transfer-in and treats it as a capital contribution for financial reporting. The capital contribution appears as a separate line item within nonoperating revenues/expenses on the proprietary funds statement of revenues, expenses, and changes in fund net position.

147. When an agency transfers a **capital asset** from a **proprietary fund** to the **government-wide reporting fund**, SARS reclassifies the transfer-out and reports it as nonoperating expense on the proprietary funds statement of revenues, expenses, and changes in fund net position.

148. Because the state does not normally sell *general* **capital assets** (assets associated with governmental activities), sales of capital assets are usually infrequent and insignificant. However, agencies should consider whether a sales transaction meets the definition of a **special item** or an **extraordinary item** that must be reported separately in the operating statement. If applicable, agencies must disclose the transaction when completing the year-end General Disclosure forms.

149. In the government-wide statement of activities, SARS reports immaterial gains/losses on disposition of *general* **capital assets** as an adjustment to current year depreciation expense. If the gains are material, SARS reports them as **general revenues** (unlike gains on the sale of capital assets in **proprietary funds**, which are reported as part of the appropriate functional expense within business-type activities), or as a special item or an extraordinary item, if applicable.

Disclosure Requirements

150. The state must disclose **capital asset** activity in the **CAFR**, including beginning balance, increases, decreases, and ending balance of each asset classification and the related accumulated depreciation/amortization. The notes to the financial statements report capital assets used in **governmental activities** separately from capital assets used in **business-type activities**.

151. Notes to the state's **CAFR** also include a schedule to illustrate the amount of depreciation expense charged to each function during the fiscal year. The disclosures present depreciation/amortization for **capital assets** used in governmental activities separately from depreciation/amortization for capital assets used in business-type activities. Depreciation related to **fiduciary fund** activities is also presented.

152. If an agency elects not to capitalize a work of art or historical treasure because it meets all of the criteria in paragraph 114, the agency must provide a description of the collection and the reasons the agency has chosen not to capitalize it. If applicable, disclose this information when completing the year-end General Disclosure forms.

153. SARS reports the amount of net position (equity) invested in **capital assets**, net of any related debt outstanding at year end. To determine the appropriate balance, agencies complete a year-end General Disclosure form to report the amount of outstanding debt issued to acquire or construct capital assets. SARS subtracts the outstanding debt from the Invested in Capital Assets account and reports invested in capital assets, net of related debt, in the **proprietary fund** statement of net position and the government-wide statement of net position.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT:	Accounting and Financial Reporting	**Number:**	15.60.20
DIVISION:	Chief Financial Office	**Effective date:**	August 1, 2010
Chapter:	Accounting and Financial Reporting		
Part:	Capital Assets		
Section:	Depreciation and Amortization		
APPROVED:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy provides guidance on accounting and financial reporting for depreciation and amortization of capital assets.

AUTHORITY: **ORS 293.590**
GASB Statement No. 34
GASB Statement No. 42
GASB Statement No. 51

APPLICABILITY: This policy applies to all state agencies included in the state's annual financial statements, except those agencies specifically exempted by OAM policy 01.05.00.

DEFINITIONS:

Amortization: The systematic and rational allocation of the cost of an intangible capital asset (less salvage value) over its estimated useful life.

Depreciation: The systematic and rational allocation of the cost of a tangible capital asset (less salvage value) over its estimated useful life.

Estimated salvage value: The expected residual value of an asset at the end of its useful life; i.e., the estimated amount that will be received at the time the asset is sold or removed from service.

Modified approach: An optional method of accounting for **infrastructure** assets (e.g., roads, bridges, and tunnels) that allows governments to forego the recognition of depreciation expense. To use this method, agencies must demonstrate they can properly maintain infrastructure assets on an ongoing basis.

POLICY:

101. Agency management must ensure the proper accounting and reporting of depreciation and amortization.

102. Except for infrastructure assets, depreciate/amortize capital assets with limited useful lives on a straight-line basis. Do not depreciate/amortize capital assets with indefinite useful lives.

103. Use any generally accepted method of depreciation to depreciate infrastructure assets so long as the method is consistently applied from year to year, complies with applicable statutes, and meets the requirements of the federal government or other organizations related to rate determination and cost recovery. **Do not use the modified approach to account for infrastructure assets unless preapproved by the Chief Financial Office.**

104. Use the recommended useful life ranges presented in the accompanying procedures, unless your agency's experience and specific circumstances differ. Periodically, review the reasonableness of the useful lives assigned to your agency's capital assets. Make any adjustments on a prospective basis only.

105. Depreciation/amortization begins on the day a capital asset is *placed in service*. Generally, the placed-in-service date and the purchase date are the same. In some cases, however, the placed-in-service date is the day installation or construction is complete and the asset is ready to be used for its intended purpose.

106. Do not record depreciation expense (if material) on a capital asset that is temporarily idle, if the idle condition has no affect on the asset's total service capacity. Otherwise, record depreciation each year, regardless of whether the asset is idle or in active use.

107. Calculate annual depreciation/amortization expense for each asset in the agency's subsidiary property ledgers. Reconcile this activity to increases posted to the accumulated depreciation general ledger (GL) control accounts. Upon disposition of a capital asset, remove the related accumulated depreciation/amortization from the subsidiary property ledgers. Reconcile this activity to decreases posted to the accumulated depreciation GL control accounts. Perform these reconciliations at least quarterly.

PROCEDURES:

Estimated Useful Life

108. Useful Life Ranges: Estimating the useful life of a capital asset requires professional judgment. Factors to consider include (a) the asset's present physical condition, (b) the maintenance required to keep the asset in good working order, (c) the asset's capacity to meet the agency's service demands in the future, (d) other obsolescence factors, and (e) the agency's historical experience with similar assets.

Asset Classification	Useful Life Ranges
Works of Art & Historical Treasures (*depreciable)*	10 to 30 years
Equipment and Machinery	3 to 50 years
Motor Vehicles	3 to 30 years
Data Processing Software	3 to 10 years
Data Processing Hardware	3 to 10 years
Other Intangibles *(amortizable, such as patents & copyrights)*	Term of legal rights
Buildings and Building Improvements	10 to 75 years
Land Improvements	10 to 75 years
Land Use Rights *(amortizable)*	Length of contract

(Continued on next page)

Asset Classification	Useful Life Ranges
Leasehold Improvements	Length of lease*
Capital Leased Property	Length of lease**
State Highways	20 to 35 years
Other Roads	15 to 50 years
Tunnels and Bridges	20 to 75 years
Airports	20 to 75 years
Utility Systems	5 to 50 years
Docks, Dikes and Dams	30 to 50 years

**Or life of asset, whichever is shorter*
***Life of asset, for lease-purchase contracts payable*

109. The useful life ranges presented above are recommendations only; an agency's actual experience may differ.

110. Estimated Useful Life versus Actual Experience: Periodically, compare the useful lives assigned to your agency's capital assets to your agency's actual experience. If circumstances indicate the need to change the useful life of a particular class of assets, make the change *prospectively* (i.e., as an adjustment to charges for depreciation/amortization in subsequent periods). Do not make changes to previously reported results.

111. In addition, reevaluate the remaining useful life of a specific capital asset, if the value of that asset (a) increases as the result of an improvement or (b) declines as the result of impairment. For more information on impairments, refer to **OAM 15.60.25**.

112. Adjusting the Estimated Useful Life (example): Equipment acquired for $100,000 (with no salvage value) has an estimated useful life of 20 years. Annual depreciation on a straight-line basis is $5,000. At the end of 12 years, the agency determines the useful life should be 25 years. The change in estimate does not affect the amount already reported as accumulated depreciation. Instead, the agency depreciates the remaining depreciable cost over the remaining "adjusted" useful life of the asset. After adjustment, annual depreciation is $3,077.

Initial depreciation calculation:
$100,000 cost/20 years = $5,000 annual depreciation expense

Accumulated depreciation at the end of 12 years:
$5,000 x 12 = $60,000

Adjustment to the useful life of the asset:
8 + 5 = 13 remaining years

Adjustment to annual depreciation expense:
$40,000 remaining cost/13 years = $3,077 adjusted annual depreciation expense

Straight-line Method and Variations

113. Straight-line Method and Salvage Value: The straight-line method of depreciation/amortization allocates the cost (less salvage value) of a capital asset evenly over its estimated useful life. Calculate annual straight-line depreciation/amortization by deducting the estimated salvage value from the cost of the asset and dividing the remaining cost by the estimated years of useful life.

NOTE: Salvage value is difficult to predict and requires the use of professional judgment. In general, agencies may ignore salvage value in computing annual depreciation/amortization, if the estimated salvage value is less than ten percent of the asset cost.

114. Group/Composite Depreciation: Ideally, agencies calculate depreciation separately for each individual capital asset. However, agencies may apply depreciation to groupings of assets within a major asset class. The term *group depreciation* is used when the grouped assets are essentially similar; otherwise, the term *composite depreciation* applies. In either case, agencies must calculate an average depreciation rate for the group as a whole.

NOTE: No gains or losses are reported on disposals when the group or composite method is used because all assets are presumed to be (a) fully depreciated at the time of disposal if no cash is received or (b) sold for book value if cash is received.

115. Partial Year Depreciation: To determine depreciation/amortization expense for a partial year, compute the expense for the full year and then prorate. Use any one of the following fractional-year policies to allocate the cost between the first year and the last year as long as the policy is consistently applied.

- Nearest full month
- Nearest fraction of a year
- Half year in period of acquisition and disposal
- Full year in period of acquisition, none in period disposal
- None in period of acquisition, full year in period disposal

116. Fully Depreciated Asset Still in Use: If a capital asset is fully depreciated/amortized (cost = accumulated depreciation) but still in use, continue to carry the asset and related accumulated depreciation/amortization in the subsidiary property ledgers and GL control accounts. Do not record a prior period adjustment to compensate for the error in estimating the asset's useful life. Instead, reevaluate the remaining useful lives of similar assets and make any changes prospectively. Remove the fully depreciated/amortized asset and related accumulated depreciation/amortization *only* upon disposition.

Building Components

117. A single building often comprises one or more individual components with a significantly shorter useful life (e.g., roof, HVAC). An agency may use any one of three methods to depreciate the components.

Example: Assume that a $6 million building with no salvage value has an estimated useful life of 60 years, but that its roof (one tenth of the $6 million cost = $600,000) will have to be replaced every 20 years.

- **Treat component as separate capital asset.** This approach treats the cost of each major building component as a separate capital asset. Accordingly, the agency depreciates the $600,000 roof in this example over its own estimated 20-year useful life, leaving a zero balance when the time comes to replace it with a new roof.

- **Include component as integral part of larger capital asset and treat subsequent replacement as repair.** The second approach treats the component as an integral part of the larger asset and depreciates the combined cost over the life of the latter. Accordingly, the agency depreciates the full $6 million cost of the building over 60 years. The agency accounts for the subsequent replacement of the roof in year 21 and year 41 as a repair (an expense of the period).

- **Include component as integral part of larger capital asset and treat subsequent replacement as disposal.** The third approach also treats the roof as an integral part of the building and depreciates the combined cost over the life of the building. However, each time the roof is replaced, the agency removes the undepreciated balance of the current roof and recognizes a loss upon disposal. The agency depreciates the cost of each new roof over the remaining life of the building.

  If detailed project costs by building component are not available, the agency may estimate the cost of the original roof. The original roof's undepreciated balance (carrying value) at date of replacement is equal to the estimated cost less depreciation-to-date, based on the life of the building. *(NOTE: The estimated cost must be reasonable and supporting documentation must be maintained.)*

Leasehold Improvements

118. Leasehold improvements revert to the owner of the property upon termination of the lease. Therefore, the lessee amortizes leasehold improvements over the economic life of the improvement or the life of the lease, whichever is shorter. When determining the life of the lease, include any renewal options management expects to exercise.

Idle Assets

119. If the total service capacity of an asset that is temporarily idle is not affected, do not report depreciation expense (if material) while the asset is idle. Otherwise, record depreciation each year, regardless of whether the asset is idle or in active use.

120. For example, assume a certain piece of equipment is capable of providing ten years of service, but that the equipment has to be taken out of service for one year (in year 6). If the asset will still provide a full ten years of service, only in different years, report depreciation expense only in the years receiving the service (i.e., years 1-5 and 7-11); report no depreciation expense in year 6 when the asset is idle. Conversely, if the asset's service utility is limited to ten chronological years, regardless of whether it is actually used, report depreciation expense in each year (i.e., years 1-10).

     NOTE: If an agency permanently retires a capital asset from service (either voluntarily or involuntarily) and does not immediately sell or otherwise dispose of the asset, the asset ceases to be a capital asset (because it no longer will be used in operations) and must be reclassified to state owned property held for sale (GL 0927). Report assets held for sale at the lower of carrying value or fair value.

Accounting for Depreciation and Amortization

121. Depreciate/amortize capital assets acquired by **proprietary funds** or **fiduciary funds** within the accounts of those funds. Capital assets acquired by **governmental funds** are considered *general* capital assets (assets associated with governmental activities). Depreciate/amortize general capital assets in the **government-wide reporting fund**.

122. Use the following comptroller objects to record annual depreciation/amortization expense:

- 7474 Amortization of Other Capital Assets
- 7475 Amortization of Leasehold Improvements
- 7476 Depreciation Expense
- 7477 Amortization of Leased Property
- 7478 Amortization of Software

123. The entry below illustrates how to record depreciation expense for a building placed in service on July 1. The building cost $5,250,000 and has an estimated useful life of 50 years and an estimated salvage value of $525,000. The building was purchased with special revenue fund resources. Annual depreciation expense is $94,500 ($5,250,000 – $525,000)/50 years).

Government-wide Reporting Fund

T-code 542: To record depreciation expense using comptroller object 7476 – Depreciation Expense.

DR 3600 GAAP Expenditure Offset (C/O 7476)	94,500	
DR 3018 Invested in Capital Assets	94,500	
CR 0875 Accumulated Depreciation – Buildings		94,500
CR 3074 Change in Capital Assets		94,500

Financial Statement Reporting

124. The Statewide Accounting and Reporting Services (SARS) reports depreciation/amortization expense in proprietary funds in the statement of revenues, expenses and changes in fund net assets as a separate line item within operating expenses. Depreciation/amortization expense in fiduciary funds is reported in administrative expenses in the statement of changes in fiduciary net assets. SARS reports depreciation/amortization expense in the government-wide reporting fund in the statement of activities in the applicable function/program for governmental or business-type activities.

125. Accumulated depreciation/amortization is reported as a contra account to capital assets in the proprietary funds balance sheet and the government-wide statement of net assets. SARS reports capital assets, net of accumulated depreciation, in the statement of fiduciary net assets.

Disclosure Requirements

126. Capital asset activity must be disclosed in the state's financial statements. The requirements include disclosure of beginning balance, increases, decreases, and ending balance of each asset classification and the related accumulated depreciation/amortization account.

127. Notes to the State's financial statements also include a schedule to illustrate the amount of depreciation/amortization expense charged to each function during the fiscal year. SARS presents depreciation/amortization for capital assets used in governmental activities, business-type activities, and fiduciary fund activities separately.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT: Accounting and Reporting	**Number:** 15.60.25
DIVISION: Chief Financial Office	**Effective date:** August 1, 2010
Chapter: Accounting and Financial Reporting **Part:** Capital Assets **Section:** Capital Asset Impairments	
APPROVED: George Naughton, Chief Financial Officer	Signature on file

PURPOSE: This policy provides guidance on accounting and financial reporting for impairments of capital assets and for insurance recoveries related to impairments of capital assets.

For insurance recoveries related to theft or embezzlement of cash or other monetary assets, refer to **OAM 15.35.00**.

AUTHORITY: **ORS 293.590**
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.

DEFINITIONS: **Impairment:** A *significant* and *unexpected* decline in the service utility of a capital asset.

NOTE: The events or changes in circumstances that lead to impairments are not considered normal and ordinary. Such events or changes in circumstances are prominent and most likely have prompted discussion by agency management or the media. Absent such conditions, agencies are not required to perform additional procedures to identify impaired capital assets beyond those already performed as part of their normal operations.

POLICY:

101. Agency management must ensure the proper accounting and reporting of capital asset impairments and related insurance recoveries.

102. When a capital asset has been permanently impaired, write down the carrying value of the asset by the amount of the impairment loss. If an impairment is temporary (not permanent), do not adjust the asset's carrying value.

103. To calculate the amount of a capital asset impairment loss, use one of the four methods outlined in the accompanying procedure.

104. Recognize insurance recoveries only when:

- *Realized* (received) by recording the cash receipt, or
- *Realizable* (a claim is pending for which the insurer has admitted or acknowledged coverage) by accruing a receivable.

105. When an insurance recovery and the related impairment loss occur in the same fiscal year, offset the insurance recovery against the impairment loss by using the same comptroller object to record both (C/O 7510 - *Gain/Loss on Capital Asset Impairments*).

106. If an insurance recovery is received in a subsequent fiscal year, record the insurance proceeds in C/O 7511 - *Insurance Recovery Subsequent to Loss*. Do not record the insurance recovery in the same comptroller object used to record the related impairment loss.

107. After recognizing an impairment loss, do not reverse the loss in future years, even if the events or circumstances underlying the impairment change.

108. Record the restoration or replacement of the impaired capital asset using the insurance recovery as a separate transaction.

PROCEDURE:

Indicators of Potential Impairment

109. Impairment occurs when events or changes in circumstances suggest that the service utility of a capital asset may have significantly and unexpectedly declined. Common indicators of potential impairment include:

a. Evidence of physical damage, such as a building damaged by fire or flood that requires restoration efforts to restore service utility

b. Changes in laws or regulations and changes in environmental factors, such as new water quality standards that a water treatment plant does not meet (and cannot be modified to meet)

c. Technological changes or evidence of obsolescence, such as a major piece of diagnostic or research equipment that is rarely used because newer equipment provides better service

d. A change in the manner or expected duration of use of a capital asset, such as closure of a school prior to the end of its useful life

e. Construction or development stoppage, such as stoppage of construction of a building or stoppage of software development, due to lack of funding.

NOTE: A change in demand for the services of a capital asset is not an indicator of impairment. However, changes in demand may be linked to conditions such as those listed above and, under those circumstances, capital assets should be tested for impairment. For example, if demand for the processing services of a mainframe computer decreases because former users of the mainframe transitioned to PC- and server-based systems (evidence of obsolescence), the mainframe should be tested for impairment. However, if the decrease in demand is due to the completion of a special project that required large amounts of processing time on a mainframe computer that also runs other applications, the change in demand is not an indicator of impairment; a test for impairment is not required.

Testing for Impairment

110. Once you have identified a potentially impaired capital asset, test the asset to determine whether both of the following factors are present. (Refer to the flowchart in **Appendix A** for assistance in the decision-making process.)

a. The magnitude of the decline in service utility is *significant*; and

b. The decline in service utility is *unexpected* (i.e., event or change must be outside the normal life cycle of the capital asset, including outside the normal effects of age and use).

111. If the test for impairment results in a finding that no impairment has occurred, reevaluate the estimates used in the depreciation calculations (remaining useful life and salvage value) and adjust them, if necessary. Account for any changes on a prospective basis only. Do not record a prior period adjustment. For more information on depreciation and amortization, refer to **OAM 15.60.20**.

Calculation of Impairment Loss

112. The following chart specifies the measurement method to use for calculating the impairment loss associated with each of the common impairment indicators.

Impairment Indicator	Measurement Method
Evidence of physical damage	Restoration cost approach
Changes in laws or regulations and changes in environmental factors	Service units approach
Technological changes or evidence of obsolescence	Service units approach
Change in the manner or expected duration of use	Service units approach or deflated depreciated replacement cost approach
Construction stoppage	Lower of carrying value or fair value

113. Restoration Cost Approach: Under this approach, derive the amount of impairment from the estimated costs to restore the utility of the capital asset. *Restoration cost* is the cost necessary to return the capital asset to its original condition and does not include any amount for improvements or additions. Estimate the restoration costs in current year dollars, and then use one of two options to convert the estimated restoration costs to historical costs.

Option 1: *Use current year dollars*. Determine the replacement cost of the *entire* asset in current year dollars.

- Calculate a ratio by dividing the restoration cost (in current year dollars) by the current replacement cost. The resulting percentage represents the damaged portion of the capital asset.

- Multiply that percentage by the carrying value (historical cost less accumulated depreciation) to calculate the impairment loss.

Option 2: *Use year of acquisition dollars*.

- Using an appropriate cost index, convert the restoration cost (in current year dollars) to historical cost.

- Calculate a ratio by dividing the deflated restoration cost by the historical cost.

- Multiply the resulting percentage by the carrying value (historical cost less accumulated depreciation) to calculate the impairment loss.

114. Service Units Approach: This approach isolates the historical cost of the service utility of the capital asset that cannot be used. Using one of the three methods described below, determine the amount of impairment by evaluating the service provided by the capital asset (either maximum estimated service units or total estimated service units throughout the life of the capital asset) *before* and *after* the event or change in circumstance.

    a. Determine the amount of impairment loss by calculating the ratio of *lost units to the total units originally expected over the life of the asset* and multiply that ratio by the historical cost of the capital asset.

    b. Determine the amount of impairment loss by calculating the ratio of *lost units per period to the total units per period originally expected over the life of the asset* and multiply that ratio by the carrying value of the capital asset.

    c. Calculate the amount of impairment loss by subtracting the value of units remaining after the impairment from the carrying value of the capital asset. Calculate the value of remaining units by multiplying the unit cost by the number of remaining units. Calculate the unit cost by dividing the historical cost by the *total units originally expected over the life of the asset*.

115. Deflated Depreciated Replacement Cost Approach: This approach replicates the historical cost of the service produced. Estimate a current cost for a capital asset to replace the current level of service. Depreciate this estimated current cost to reflect the fact that the capital asset is not new, and then deflate it to convert it to historical cost dollars.

    a. Using current value, estimate a hypothetical replacement cost for an equivalent asset specifically suited to the new manner or expected duration of use.

    b. Depreciate the cost of the replacement asset by multiplying the depreciated ratio of the actual asset (carrying value over historical cost) by the estimated replacement cost.

    c. Using an appropriate cost index, deflate the cost of the depreciated replacement asset to restate it on the basis of acquisition year dollars.

    d. Subtract the deflated depreciated replacement value from the carrying value of the impaired asset to calculate the impairment loss.

116. Lower of Carrying Value or Fair Value: Report capital assets impaired from stoppage of construction or stoppage of development (in the case of internally generated intangible capital assets) at the lower of carrying value or fair value. Calculate the impairment loss by subtracting the fair value of the asset (i.e., net realizable value) from the carrying value.

Permanently Retired Assets

117. If an agency *permanently* retires a capital asset from service (either voluntarily or involuntarily) and does not immediately sell or otherwise dispose of the asset, the asset ceases to be a capital asset (because it no longer will be *used in operations*) and must be reclassified to state owned property held for sale (GL 0927). Report assets held for sale at the lower of carrying value or fair value.

Accounting for Impairments

118. When a capital asset is accounted for in a **proprietary fund** or **fiduciary fund**, account for the impairment loss and related insurance recovery within those funds. When a capital asset is accounted for in the **government-wide reporting fund**, record the impairment loss in the government-wide reporting fund; however, record the related insurance recovery in a **governmental fund**.

119. To recognize the impairment of a capital asset currently in service, reduce the carrying value by recording the entire impairment as an increase in accumulated depreciation. To recognize the impairment of a capital asset currently under construction or development, record the entire impairment as a decrease in the cost of the asset. Use the same transaction code to record an impairment loss in a proprietary fund, fiduciary fund, or the government-wide reporting fund.

Adjustment to Accumulated Depreciation

TC 542: To record an impairment loss using comptroller object 7510 – Gain/Loss on Capital Asset Impairments.

DR 3600 GAAP Expenditure Offset (C/O 7510)	500,000	
DR 3018 Invested in Capital Assets	500,000	
CR 3074 Change in Capital Assets		500,000
CR 08XX Accum Depreciation/Amortization-Capital Asset		500,000

Adjustment to Construction in Progress

TC 545R: To record an impairment loss for construction stoppage using comptroller object 7510 – Gain/Loss on Capital Asset Impairments.

DR 3600 GAAP Expenditure Offset (C/O 7510)	500,000	
DR 3018 Invested in Capital Assets	500,000	
CR 3074 Change in Capital Assets		500,000
CR 0861 Construction in Progress		500,000

Accounting for Insurance Recoveries

120. When an insurance recovery and the related impairment loss occur in the same fiscal year, report the impairment loss net of the insurance recovery by using the same comptroller object to record both the loss and the recovery.

TC 172: To record receipt of insurance recovery (in the same fiscal year as the impairment), using comptroller object 7510 – Gain/Loss on Capital Asset Impairment.

DR 0065 Unreconciled Deposit	350,000	
CR 3500 Expenditure – Cash (C/O 7510)		350,000

121. When the insurance recovery is received in a fiscal year subsequent to the fiscal year in which the related impairment loss occurred, record the insurance recovery as a reduction of expense using comptroller object 7511.

TC 172: To record receipt of insurance recovery (in a subsequent fiscal year), using comptroller object 7511 – Insurance Recovery Subsequent to Loss.

DR 0065 Unreconciled Deposit	350,000	
CR 3500 Expenditure – Cash (C/O 7511)		350,000

122. When the Department of Administrative Services (DAS), Risk Management transmits insurance proceeds to other state agencies electronically (rather than by issuance of a warrant), the receiving agency uses TC 741, rather than TC 172. DAS uses TC 740 to record a balanced transaction.

Financial Statement Reporting

123. The Statewide Accounting and Reporting Services (SARS) reports impairment gains/losses incurred by proprietary funds in the statement of revenues, expenses, and changes in fund net assets as an operating expense, a **special item,** or an **extraordinary item**, as appropriate. Impairment losses in the government-wide reporting fund are reported in the statement of activities as a program expense in the applicable function for governmental or business-type activities, a special item, or an extraordinary item, as appropriate.

124. SARS reports an impairment loss net of the associated insurance recovery when the recovery and loss occur in the same fiscal year. An insurance recovery received in a subsequent fiscal year is reported in proprietary funds in the statement of revenues, expenses, and changes in fund net assets as non-operating revenue or an extraordinary item, as appropriate. SARS reports an insurance recovery received in a subsequent fiscal year in the government-wide reporting fund in the statement of activities as program revenue in the applicable function for governmental or business-type activities or as an extraordinary item, as appropriate.

125. In governmental fund financial statements, SARS reports an insurance recovery as an other financing source or extraordinary item, as appropriate.

126. The GAAP level profiles (D08) established for comptroller object 7510, Gain/Loss on Capital Asset Impairments, and 7511, Insurance Recovery Subsequent to Loss, ensure that insurance recoveries are reported correctly in the financial statements, even though both comptroller objects are treated as a reduction of expense for budgetary purposes. SARS uses the information provided by agencies in the year-end General Disclosures to ensure that impairment losses and insurance recoveries are properly reported in the financial statements.

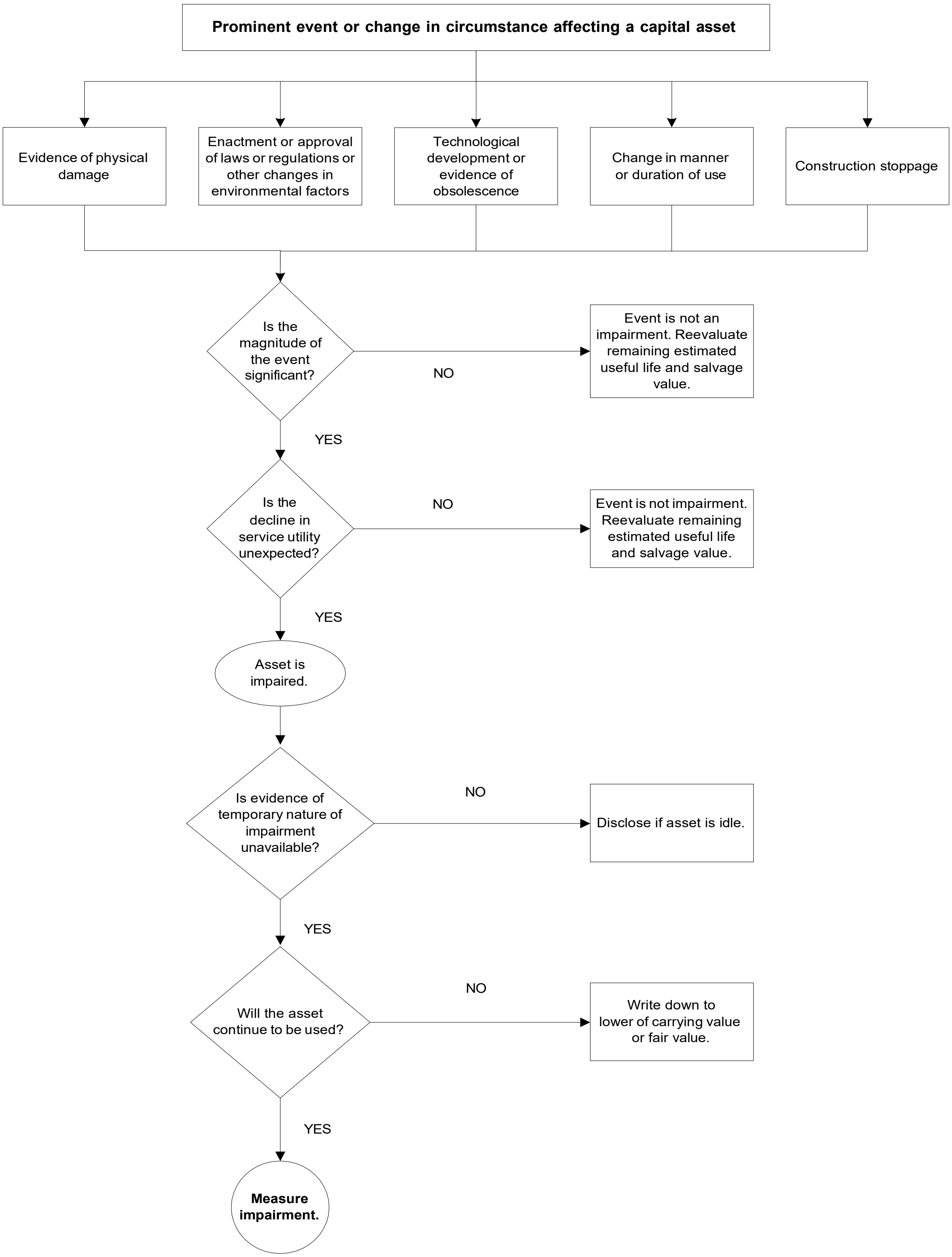
Disclosure Requirements

127. SARS discloses a general description, the amount, and financial statement classification of impairment losses and insurance recoveries in the notes to the financial statements.

128. SARS also discloses the carrying amount of impaired capital assets that are idle at year end, regardless of whether the impairment is considered permanent or temporary.

APPENDIX A

CAPITAL ASSET IMPAIRMENT DECISION PROCESS



DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT:	Accounting and Reporting	**Number:**	15.60.30
DIVISION:	Chief Financial Office	**Effective date**:	July 1, 2012
Chapter:	Accounting and Financial Reporting		
Part:	Capital Assets		
Section:	Capital Leases		
APPROVED:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy provides guidance on accounting and financial reporting for capital leases.

AUTHORITY: **ORS 293.590**
NCGA Statement No. 5
GASB Statement No. 34
GASB Statement No. 38
GASB Statement No. 62

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**.

DEFINITIONS: A **lease** is a contractual agreement that conveys the right to use specific property for a specific period of time in return for stipulated, and generally periodic, cash payments.

A lease agreement is classified as a capital lease (in-substance purchase) when substantially all the risks and benefits of ownership are assumed by the lessee.

A **capital lease** is a lease that meets any *one* of the following conditions in (a) through (d) *and* meets the condition in (e):

a. Ownership of the leased property transfers to the agency at the end of the lease.
b. The lease contains a **bargain purchase option**.
c. The lease term is 75% or more of the estimated useful life of the leased property.
d. The present value of the minimum future lease payments at the inception of the lease, excluding **executory costs**, is 90% or more of the fair value of the leased property.
e. In addition to one of the items above, the lease must be noncancellable.

A **bargain purchase option** is a provision in the lease agreement that allows the lessee to buy the leased property sometime during the term of the lease at a price considerably lower than the estimated fair value of the asset at the date the option becomes exercisable.

The lessee's **incremental borrowing rate** is the estimated interest rate the lessee would have had to pay if the lessee purchased the leased property and financed it over the period covered by the lease.

The lessor's **implicit borrowing rate** is the discounted interest rate that, when applied to the minimum future lease payments less executory costs of the lease and the unguaranteed residual value of the asset, causes the aggregate present value of the leased property to be equal to the fair value of the property to the lessor.

POLICY:

101. Agency management is responsible to ensure proper accounting and reporting of capital leases. Agencies that enter into a lease agreement must apply the criteria above to determine if the transaction is a capital lease or an operating lease.

102. The state's capitalization threshold is $5,000. Capitalize only leases for which the present value of the minimum future lease payments is at least $5,000. Record the capital leased asset in general ledger (GL) account 0863, Capital Leased Property.

103. For leases meeting the criteria in a. and b. above, record the liability for future lease payments in GL account 1715, Lease-purchase Contracts Payable. For leases meeting the criteria in c. and d. above, record the liability for future lease payments in GL account 1716, Obligations Under Capital Lease,

104. Record capital leases at an amount equal to the present value of the minimum future lease payments, however the amount must not exceed the fair value of the leased property.

105. If an agency leases property and accounts for it in a **proprietary fund** or **fiduciary fund**, they account for the capital lease within the accounts of that fund. If an agency leases property for general government purposes (using resources from **governmental funds**), they account for the capital lease in the **government-wide reporting fund**. Record payments to reduce the liability in the governmental fund that originated the liability. Do not use a **debt service fund** to record payments on this type of liability unless legally mandated through an appropriation.

106. Depreciate lease-purchase contracts payable (GL 1715) over the estimated useful life of the asset. Depreciate obligations under capital lease (GL 1716) over the length of the lease. Refer to **OAM 15 60 20** on Depreciation and Amortization of capital assets for guidance on depreciation.

107. Agencies are responsible to provide required disclosure information to Statewide Accounting and Reporting Services (SARS) for financial statement note disclosure purposes. Agencies with audited financial statements should include disclosures required for capital leases in the notes to their financial statements.

PROCEDURE:

Examination of Capital Lease Criteria

108. For each lease agreement entered into, consider the criteria for capital leases to determine whether to classify the lease as a capital lease.

    a. <u>Transfer of ownership</u> should be apparent in the terms of the lease.

b. Bargain purchase option. Use professional judgment in determining whether the purchase option price will be a bargain price at the option date. The difference between the option price and the expected fair value must be large enough to make exercise of the option reasonably assured. If there is reasonable assurance at the start of the lease that the agency will exercise the purchase option, or it is the agency's intention at the start of the lease to exercise the purchase option, consider the option a bargain purchase option.

c. Lease term at least 75% of useful life. The lease term is normally the fixed, noncancellable term of the lease. The lease term is at least 75% of the estimated economic life of the leased asset if, for example, an agency has a lease contract for a motor vehicle that extends for 48 months and the agency estimates the useful life of the vehicle at 60 months. In this case, the term of the lease runs for 80% of the normal life of the asset, meeting the criteria. If the term of the lease had been less than 45 months, the lease would not have qualified under this criterion since 45 months is 75% of the useful life of the asset.

   In addition, if the beginning of a lease term falls within the last 25% of the total estimated useful life of the leased asset, including earlier years of use, consider the lease an operating lease.

d. Lease payments at least 90% of fair value of leased asset. Lease payments include minimum rental payments based on the term of the lease and exclude executory costs such as payments for insurance, maintenance and taxes. The lease payments include any residual value guaranteed by the lessee at the end of the term of the lease as well as any penalties that the lessee must pay for failure to renew or extend the lease. If the lease contains a bargain purchase option, the lease payments include only the minimum future lease payments over the term of the lease and the bargain purchase option.

   When determining the present value of lease payments, the lessee uses its **incremental borrowing rate.** The lessee uses the lessor's **implicit interest rate** if that rate can be determined and it is less than the lessee’s incremental borrowing rate.

   The lessee then compares the present value amounts to the fair value of the asset to determine if the present value of minimum future lease payments exceeds 90% of the fair value of the leased asset.

   For example, the lessee:

   Leases equipment for a 5-year period
   Will make 5 annual payments of $50,000
   Will make the first payment upon signing the lease on 6/30/X1

   Both the lessee’s incremental borrowing rate and the lessor’s implicit borrowing rate are 10%
   Fair value of the property is $230,000

Annual lease payments	$ 50,000
From PV tables: Present value of an annuity due	x
Interest rate 10% and number of periods is 5	4.16986
Present value of minimum future lease payments	$208,493

Present value of minimum future lease payments	$208,493
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Divided by fair value of the property	$230,000
Percentage of fair value	90.65%

Capitalize the lease at $208,493 and report interest per the following schedule:

Date	Lease Payment	Interest @ 10%	principal	remaining liability
6/30/X1	-	-		208,493
6/30/X1	50,000	-	50,000	158,493
6/30/X2	50,000	15,849	34,151	124,342
6/30/X3	50,000	12,434	37,566	86,777
6/30/X4	50,000	8,678	41,322	45,454
6/30/X5	50,000	4,545	45,455	(0)

e. A cancellation clause allows the lessee to terminate at any time for any reason. If the lease contains a fiscal funding clause specifying the state may cancel the lease if the state does not appropriate the funds necessary to make the required lease payments, evaluate the likelihood that the state will exercise the clause. If the chances of the lease being canceled due to nonappropriation are remote (normally true for state government), consider the lease noncancellable.

109. If the lease does not meet any *one* of the above criteria in (a) through (d) *and* the condition in (e), record the lease as an **operating lease** in the agency's accounting records. See **OAM 15 80 00** on Commitments for more information on operating leases.

Accounting Transactions

110. When a lease meets the criteria of a capital lease, use the following entry to record an asset and liability in either a proprietary fund or the government-wide reporting fund:

T-code 466: Establish asset and liability for capital lease

DR 0863 Capital Leased Property	xxx	
DR 3074 Change in Capital Assets	xxx	
CR 3018 Invested in Capital Assets		xxx
CR 1715 Lease-Purchases Contracts Payable		xxx
or CR 1716 Obligations Under Capital Lease		

111. After making payment, reduce the liability for the principal portion of the payment only. Charge the interest portion to comptroller object 7400, Interest-Loans.

T-code 459: Reduce capital lease liability for principal payment only

DR 1715 Lease-Purchases Contracts Payable	xxx	
or DR 1716 Obligations Under Capital Lease		
CR 3600 GAAP Expenditure Offset-Capital Outlay		xxx

112. When capital leased property is disposed of, record an entry as follows:

T-code 535: Disposition of capital leased property

DR 0871 Accumulated Amortization-Capital Leased Property	xxx	
CR 0863 Capital Leased Property		xxx

If the capital leased property has any unamortized balance, make the follow entry:

T-code 537: Remove unamortized balance of capital leased asset

DR 3200 GAAP Revenue Offset-Gain(loss) on Disposition	xxx	
DR 3018 Invested in Capital Assets	xxx	
CR 0863 Capital Leased Property		xxx
CR 3074 Change in Capital Assets		xxx

113. At fiscal year end, reclassify the current portion of the capital lease liability (the principal amount that the agency must pay in the coming fiscal year) out of the noncurrent portion of the liability. For Lease-Purchase Contracts Payable, reclassify from GL account 1715 into GL account 1280. For Obligations Under Capital Lease, reclassify from GL account 1716 into GL account 1281. This reclassification ensures appropriate reporting of the current and noncurrent portions of the liability on the face of the statement of net assets.

Financial Statement Reporting

114. In the year an agency acquires a new lease purchase in governmental funds, SARS reports both capital outlay expenditures and an other financing source to properly report leases incurred on the statement of revenues, expenditures, and changes in fund balances, as required by GAAP. SARS obtains the necessary information from agency year-end disclosure forms.

115. For lease-purchase contracts payable (GL 1715), agencies report payments on capital leases entered into for general government purposes as capital outlay (for principal amount) and debt service (for interest expenditure) in **R*STARS**. For governmental fund financial statement reporting, SARS reclassifies the capital outlay expenditures to debt service principal expenditures. This eliminates the expenditures for reporting in the government-wide financial statements. SARS obtains the necessary information from agency year-end disclosure forms.

116. For obligations under capital lease (GL 1716), agencies report expenditures for payments on a capital lease entered into for general government purposes as capital outlay expenditures. For governmental fund financial statement reporting, SARS reclassifies the capital outlay expenditures to debt service principal and interest expenditures, as applicable. This eliminates the principal expense for reporting in the government-wide financial statements. SARS obtains the necessary information from agency year-end disclosure forms.

117. The SARS reports capital leased property as part of Buildings, Property, and Equipment within the capital asset section of the proprietary fund statement of net assets, the statement of fiduciary net assets, and the government-wide statement of net assets.

118. SARS reports both lease-purchase contracts payable and obligations under capital lease as part of Obligations Under Capital Lease on the proprietary fund statement of net assets, the statement of fiduciary net assets, and the government-wide statement of net assets.

119. SARS reports depreciation expense, including that associated with capital leased assets, as a separate line item within operating expenses in the proprietary fund statement of revenues, expenses, and changes in fund net assets. SARS reports depreciation expense as administrative expense on the statement of changes in fiduciary net assets. SARS reports depreciation expense in the applicable function/program for governmental or business-type activities in the government-wide statement of activities.

120. SARS reports accumulated depreciation for capital assets, including that associated with capital leased assets, as a contra account to capital assets on both the proprietary funds statement of net assets and the government-wide statement of net assets. SARS nets accumulated depreciation for capital leased assets against Buildings, Property, and Equipment in the statement of fiduciary net assets.

Disclosure Requirements

121. SARS includes disclosure information for capital leased assets along with disclosure information for all other capital assets as described in **OAM 15.60.10**.

122. SARS discloses the following information specific to capital leases:

a. a description of the general leasing arrangements
b. the gross amount of assets recorded under capital leases
c. minimum future lease payments for each of the next five fiscal years and for each five year increment thereafter, presenting a deduction for the amount of imputed interest to reduce the net minimum future lease payments to their present value
d. depreciation of leased assets

SARS gathers the detail for this disclosure on agency year-end disclosure forms.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT:	Accounting and Financial Reporting	**Number:**	15.60.40
DIVISION:	State Controller's Division	**Effective date:**	June 1, 2013
Chapter:	Accounting and Financial Reporting		
Part:	Capital Assets		
Section:	Intangible Assets		
APPROVED:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE:

This policy provides guidance on accounting for intangible assets, including internally generated intangible assets. The financial reporting requirements for both tangible and intangible capital assets appear in **OAM 15.60.10**, *Capital Assets – Classification and Capitalization*.

AUTHORITY:

ORS 293.590
GASB Statement No. 34
GASB Statement No. 51

APPLICABILITY:

This policy applies to all state agencies included in the state's annual financial statements, except those agencies specifically exempted by OAM **01.05.00**.

This policy does not apply to the following intangible assets:

a. Assets acquired or created primarily for **obtaining income or profit**.
b. Assets resulting from **capital lease transactions** reported by lessees.
c. **Goodwill** created through the combination of a government and another entity.

DEFINITION:

An intangible asset is an asset that possesses *all* of the following characteristics:

a. It lacks physical substance. It may be contained in or on an item with physical substance, for example, software stored on a compact disc; it may be closely associated with another item that has physical substance, for example, the underlying land in the case of a right-of-way easement.

b. It is non-financial in nature, meaning it is not in monetary form and it does not represent a claim or right to assets or a prepayment.

c. It has an initial useful life of more than one year.

Common types of intangible assets:

- Right-of-way easements
- Other types of easements
- Land use rights, such as mineral, water, or timber rights
- Patents, copyrights, and trademarks
- Computer and Web site software – purchased, internally generated, or acquired through licensing agreements

POLICY:

101. Agency management must ensure the proper accounting and reporting of capital assets that meet the definition of intangible assets as defined in GASB 34 and amended by GASB 51.

102. In addition to the specific provisions of this policy, an agency must apply the general guidance contained in **OAM 15.60.10**, *Capital Assets – Classification and Capitalization*; **OAM 15.60.20**, *Depreciation and Amortization*; and **OAM 15.60.25**, *Capital Asset Impairments* to its accounting and reporting of intangible assets.

103. The state's capitalization threshold is $5,000. Record intangible assets that cost $5,000 or more and have a useful life of more than one year in the appropriate capital asset general ledger (GL) accounts. Expense intangible assets costing less than $5,000 according to **OAM 15.55.00,** *Non-Capital Assets*.

104. Consider land use rights, such as easements, water rights, timber rights and mineral rights, obtained through the purchase or donation of land as "bundled" with the land; do not record them as separate assets.

105. Account for a land use right obtained by lease, contract or other similar agreement (without acquiring the underlying land) as a separate intangible asset. Record the obligation to make payments over the life of the agreement as a long-term liability.

106. Account for and report intangible assets acquired or created primarily for obtaining income or profit as investments.

107. Capitalize software acquired through a licensing agreement as an intangible asset, even if the license agreement refers to the arrangement as a lease. Record the obligation to make payments over the life of the agreement as a long-term liability.

108. When a computer software system consists of more than one module or component, apply the guidance in this policy to each individual component or module separately rather than the system as a whole.

109. Amortize intangible assets with limited lives on a straight-line basis according to **OAM 15.60.20**. Do not amortize intangible assets with indefinite lives.

110. When an agency sells or retires an intangible asset, remove the asset and accumulated amortization from the GL control accounts and subsidiary property ledger and recognize any gain or loss arising from the disposition.

111. In addition to this policy, Statewide IT Policy 107-004-010, *Information Technology Asset Inventory and Management*, applies to *all* IT assets, including intangible IT assets.

PROCEDURES:

Recognition

112. Recognize an intangible asset *only* if it is identifiable. Consider an intangible asset as identifiable if it is either (1) separable, meaning the asset is capable of being separated from the agency and sold, transferred, licensed, etc; or (2) the asset arises from contractual or other legal rights.

Land Use Rights Bundled with Property

113. Ownership of property comprises a bundle of rights that includes the right to control the use of the property. Do not report land use rights such as easements, water rights, timber rights and mineral rights obtained through the purchase or donation of land as separate assets. Although the individual rights included in the bundle of rights are separable and intangible in nature, collectively they represent the ownership of the land.

Land Use Rights Accounted for Separately

114. Account for land use rights obtained by lease, contract or other similar agreement (without acquiring the underlying land) as separate intangible assets. Record the agency's obligation to make payments over the life of the agreement as a long-term liability. Land use rights that may be obtained from a third party through a legal agreement include:

   a. The right to access land, such as an easement

   b. The right to explore or exploit natural resources, such as timber, mineral, or water rights

115. A developer may donate a right-of-way easement along with infrastructure assets. Report the easement as a separate asset rather than as infrastructure. Also, report the easement at estimated fair value based on what it would have cost to acquire the asset had it not been donated. Do not arbitrarily assign a nominal value to the easement.

Intangible Assets Acquired or Created to Obtain Income

116. Assets acquired or created primarily to obtain income or profit are not subject to this policy. For example, this policy does not apply to a copyright acquired or created by a public university that the university uses primarily to generate royalty income.

117. However, when an agency uses an intangible asset, such as a trademark, both in its operations and to obtain revenues, professional judgment is required. To determine the primary purpose of the intangible asset, consider the amount of revenue expected to be generated versus the service capacity gained by using the intangible asset in the agency's operations.

Internally Generated Intangible Assets

118. Consider intangible assets "internally generated" if the agency or an entity contracted by the agency creates or produces the assets. Also, consider assets acquired from a third party as internally generated if the assets require more than minimal additional effort on the part of the agency to achieve the desired service capacity.

119. Under the “specified-conditions” approach, an agency capitalizes outlays associated with the development of internally generated intangible assets only when all of the following conditions occur:

a. The agency has determined the specific objective of the project and the service capacity expected upon completion of the project.

b. The agency has determined that it is technologically feasible to complete the project.

c. The agency has demonstrated that it intends to complete the project (or in the case of a multiyear project, to continue development of the intangible asset).

This approach provides a safeguard against the capitalization of outlays that may become impaired in the future because the agency terminated the project.

120. Expense outlays incurred *prior* to meeting the above criteria. Capitalize outlays incurred *subsequent* to meeting the criteria.

Internally Generated Computer Software

121. When an agency develops computer software in-house, by agency personnel or by a third-party contractor, consider it internally generated. Commercially available software (purchased or licensed from a third party) that requires more than minimal additional effort to put it into operation is also internally generated.

122. The following three stages represent activities associated with developing and installing internally generated computer software:

Preliminary Project Stage	**Application Development Stage**	**Post-implementation/ Operation Stage**
Conceptual formulation of alternatives	Design of chosen path, including software configuration and software interfaces	Application training
Evaluation of alternatives	Coding	Software maintenance
Determination of existence of needed technology	Installation to hardware	
Final selection of alternatives	Testing, including parallel processing phase	

123. Preliminary Project Stage: When a computer software project is in the preliminary project stage, agencies should take the following actions:

a. Decide how to allocate resources – e.g., determine if programmers should develop a new accounts receivable subsidiary system or direct their efforts toward correcting existing problems in the current accounts receivable system.

b. Determine the performance requirements for the computer software project – e.g., through a user needs analysis.

c. Determine the systems requirements for the computer software project and if the technology needed to achieve performance goals exists.

d. Explore alternative means of achieving specific performance goals – e.g., evaluating internal development of the computer software against purchase and modification of commercially available software.

e. Select a vendor, if an agency chooses to purchase software.

f. Select a consultant to assist in software development or installation.

124. For internally generated computer software, consider the criteria in paragraph 119 to be met only when *both* of the following actions have occurred:

a. The activities in the preliminary project stage are complete, and

b. Management implicitly or explicitly authorizes and commits to fund the software project (at least currently in the case of a multiyear project).

Accordingly, expense outlays connected with activities in the preliminary project stage as incurred. For commercially available software that the agency will modify and consider internally generated, consider (a) and (b) above to have occurred when the agency commits to purchase or license the computer software.

125. Application Development Stage: Once the agency meets the criteria in paragraph 124, capitalize outlays related to activities in the application development stage. Capitalization stops no later than the point at which the computer software is substantially complete and operational.

126. Data conversion costs qualify as an activity of the application development stage *only* to the extent data conversion is necessary to make the computer software operational. Otherwise, treat data conversion as an activity of the post-implementation operation stage. Data conversion activities include purging or cleansing of existing data, conversion of data from the old system to the new system, and reconciliation of the data from the old system to the data in the new system.

127. Post-Implementation/Operation Stage: Expense outlays associated with activities in the post-implementation/operation stage as incurred.

128. The activities within the stages of development of internally generated computer software may occur in a different order than discussed above. For example, training staff to use the new system may occur during the application development stage. Regardless of the order of activities, base the decision to capitalize or expense outlays on the nature of the activity, not the timing of its occurrence.

Software Modifications, Upgrades, or Enhancements

129. Capitalize outlays for modification of computer software already in operation according to paragraphs 124 and 125 above, if the modification results in any of the following:

a. An increase in the functionality of the computer software; e.g., the software performs tasks that it was previously incapable of performing.

b. An increase in the efficiency of the software; e.g., an increase in the level of service provided by the software without the ability to perform additional tasks.

c. An extension of the estimated useful life of the software.

NOTE: Modifications that extend useful life alone without adding capacity or efficiency are rare events. Generally, an extension of useful life is the result of underestimating the original useful life. When determining the useful life, consider how maintenance activities may affect the serviceability of the software.

If the software modification does not result in any of these outcomes, account for the modification as maintenance and expense the related outlays as incurred.

130. In theory, outlays for a maintenance contract that covers required maintenance and any unspecified upgrades should be allocated between the upgrades that meet the conditions discussed in 129 and all other upgrades/maintenance provided by the vendor. As a practical matter, agencies may choose to establish a policy that treats all unspecified upgrades as maintenance and expense the related costs as incurred.

Computer Software with Multiple Components

131. An agency may enter into a licensing agreement for computer software with multiple components that the agency considers internally generated (e.g., the license to use the software; modifications to meet the agency's requirements; training; routine systems maintenance; and rights to future upgrades and modifications). The agency must allocate the outlays associated with the agreement among all the individual elements based on the guidance in this policy. For example, capitalize outlays to obtain the software license as part of the application development stage and expense outlays to train the users as part of the post-implementation/operation stage.

Software Licensing Agreements

132. Software licensing agreements are not subject to **OAM 15.60.30**, *Capital Leases*, even if the agreement is referred to as a "lease." Agencies must capitalize the software and report it as an intangible asset. They must also record a long-term liability to recognize the obligation to make annual payments over the life of the contract.

Software Licenses Purchased as a Bundle

133. If a large number of software licenses are purchased all at one time and installed on individual PC's, and the cost of each separate license is less than the state's capitalization threshold, treat the entire cost as a period expense. However, if the software licenses are purchased as part of a "server install" and all of the licenses are installed on one server (computer) that individual users can access, capitalize the entire purchase as a single asset if the total cost is $5,000 or more.

Capitalized Interest

134. When a proprietary fund finances the acquisition of an internally generated intangible asset, the interest capitalization requirements discussed in **OAM 15.60.10** apply. Interest capitalization starts on the date of the borrowing and continues until the date that the asset is ready for its

intended use. Interest earned during this period on unspent borrowings reduces the amount the agency capitalizes. *Capitalized interest is not included as part of the cost of assets purchased with resources from governmental funds.*

Useful Life

135. The useful life of an intangible asset that arises from contractual or legal rights must not exceed the legal term of the rights. Consider renewal periods when determining the useful life of an intangible asset, if the agency plans to seek a renewal and the anticipated costs will be minimal. If the expected outlay for renewal is more than minimal, the agency must account for the resulting transaction as a new intangible asset.

136. Consider an intangible asset to have an indefinite life, if there are no legal, contractual, regulatory, technological, or other factors that limit the useful life of the asset. A permanent right-of-way easement is an example of an intangible asset with an indefinite life. Do not amortize intangible assets with indefinite lives. If changes occur that cause the useful life of an intangible asset no longer to be indefinite, the agency must test the asset for impairment. Amortize the carrying value of the intangible asset, if any, following the recognition of an impairment loss over the remaining estimated useful life of the asset.

Impairment

137. When testing an intangible asset for impairment, apply the provisions of **OAM 15.60.25,** *Capital Asset Impairments*. In addition to the examples included in OAM 15.60.25, a common indicator of impairment occurs when the agency stops development due to a change in priorities. Report internally generated intangible assets impaired by development stoppage at the lower of carrying value or fair value.

Sample Transactions

138. An agency internally develops a computer software program for their accounts receivable system. Total outlays through final acceptance testing were $6,000, which the agency paid from its **Special Revenue fund**. The useful life of the software is three years. The agency decides to take a full year of amortization in the year the software is placed in service using the straight-line method. After year two, the agency determines that the software is permanently impaired and of no future use to the agency. Its fair value is zero. The agency makes the following entries:

Special Revenue Fund

Generic entry to record expenditure using comptroller object 5300 - Data Processing Software.

DR Expenditure (C/O 5300)	6,000	
CR Cash		6,000

Government-wide Reporting Fund

TC 545: To capitalize software using comptroller object 5300 - Data Processing Software.

DR 0817 Data Processing Software	6,000	
DR 3074 Change in Capital Assets	6,000	
CR 3018 Invested in Capital Assets		6,000
CR 3600 GAAP Expenditure Offset-Capital Outlay (C/O 5300)		6,000

TC 542: To record amortization of software for year one and two using comptroller object 7478 - Amortization Expense-Software.

DR 3018 Invested In Capital Assets	2,000	
DR 3600 GAAP Expenditure Offset (C/O 7478)	2,000	
CR 3074 Change in Capital Assets		2,000
CR 0868 Accumulated Amortization–DP Software		2,000

TC 545R: To recognize the impairment loss using comptroller object 7510 - Gain/Loss on Capital Asset Impairment.

DR 3018 Invested in Capital Assets	2,000	
DR 3600 GAAP Expenditure Offset (C/O 7510)	2,000	
CR 0817 Data Processing Software		2,000
CR 3074 Change in Capital Assets		2,000

TC 532: To remove remaining book value.

DR 0868 Accumulated Amortization-Data Processing Software	4,000	
CR 0817 Data Processing Software		4,000

139. Assume that the $6000 payment in the special revenue fund is the first installment on a five-year software licensing agreement that totals $30,000.

Government-wide Reporting Fund

TC 545: To capitalize the software licensing agreement using comptroller object 5300 - Data Processing Software.

DR 0817 Data Processing Software	30,000	
DR 3074 Change in Capital Assets	30,000	
CR 3018 Invested in Capital Assets		30,000
CR 3600 GAAP Expenditure Offset-Capital Outlay (C/O 5300)		30,000

TC 459R: To record the remaining obligation under the contract.

DR 3600 GAAP Expenditure Offset-Capital Outlay (C/O 5300)	24,000	
CR 1715 Lease/Purchase Contracts Payable		24,000

TC 459: To reduce the obligation in subsequent years for payments made on the contract.

DR 1715 Lease-Purchase Contracts Payable	6,000	
CR 3600 GAAP Expenditure Offset-Capital Outlay (C/O 5300)		6,000

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT:	Accounting and Financial Reporting	**Number:**	15.65.10
DIVISION:	Chief Financial Office	**Effective date**:	January 22, 2018
Chapter:	Accounting and Financial Reporting		
Part:	Bonds and COPs		
Section:			
APPROVED:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy establishes accounting and financial reporting requirements for agencies that issue bonds or certificates of participation.

AUTHORITY:

ORS 293.590
ORS 283.085 to 283.092
ORS 286.505 to 286.545
GASB Statement No. 34
GASB Statement No. 38
GASB Statement No. 62
GASB Statement No. 65

APPLICABILITY: This policy applies to all state agencies included in the state's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

DEFINITIONS: **Bonds** are interest-bearing certificates sold by a government to raise money. They normally bear a stated rate or rates of interest, or state a formula for determining that rate. Generally, bonds mature on a date certain, on which date a fixed sum of money plus interest is payable to the holder or owner.

The State has issued three types of bonds: general obligation bonds, revenue bonds, and general appropriation bonds.

General obligation bonds are general obligations of the State, secured by the full faith and credit of the State.

Revenue bonds are secured by specific revenues that are pledged or designated for payment of the bonds.

General appropriation bonds are special obligations payable solely from appropriated funds and are not general obligations of the State.

Certificates of participation (COPs) are special limited obligations of the borrower, the Department of Administrative Services (DAS), payable solely from available funds as provided in the financing agreement and are not a general obligation of the State.

A **financing agreement** is a lease-purchase or loan agreement to finance real or personal property or infrastructure that the state will own and operate.

Available funds means monies that the Legislature makes available to pay amounts due under financing agreements.

Click here for other **definitions**.

POLICY:

101. Agency management must ensure the proper accounting and reporting of long-term debt and COP transactions in accordance with generally accepted accounting principles (GAAP) and the official statements.

102. Oregon law gives the authority to use financing agreements, which includes COPs, to the Department of Administrative Services. However, agencies using the proceeds of COPs report the obligations in their accounts. While agencies may still have COPs balances outstanding, beginning in 2011, DAS discontinued issuing COPs except in a few limited circumstances. DAS now issues Series XI-Q general obligation bonds rather than COPs.

103. The liability to repay the proceeds obtained from the sale of COPs is not debt as defined by the Oregon Constitution. However, for purposes of recording in the State's accounting records and presentation in the financial statements, agencies report this liability as long-term debt.

104. The process for issuing bonds is much the same as the process for issuing COPs. The key participants involved in the sale outside state government are the underwriters (investment bankers), bond counsel, financial advisors, trustees, and insurers. The State Treasurer issues or approves the issuance of all debt. The Department of Justice provides legal advice, and the Audits Division may provide comfort letters.

105. Annually, agencies will submit disclosure packets to Statewide Accounting and Reporting Services (SARS) with all information needed to properly report and disclose debt in the Comprehensive Annual Financial Report (CAFR). Agencies that issue separate audited financial statements shall include all applicable disclosures related to bonds and certificates of participation in the notes to their financial statements.

PROCEDURES:

Recording Issuance of Debt

106. The underwriter purchases the bonds or COPs for resale to its customers. Generally, the amount the underwriter pays to the State will not equal the face amount of the debt. The amount the state receives is net of the underwriter’s discount, and the bond or COP discount or premium. When DAS manages the debt issuance, it will bill agencies for the costs of issuance, at which point agencies record this expense. If DAS does not manage the debt issuance, the costs of issuance may be withheld from the debt proceeds or paid from another source of funds. Regardless of how these costs are paid (by debt proceeds or agency cash), agencies must record each of these items separately in the accounting records.

107. The accounting entries for bonds and COPs are essentially the same; only the specific general ledger accounts and comptroller objects differ. Likewise, the transactions agencies record for debt issued by proprietary funds and general government debt are essentially the same. The difference involves the funds where agencies record the transactions. Appendix A, an

addendum to this procedure, contains a listing of common transaction codes agencies should use for recording bond and COP transactions.

108. When the state issues bonds or certificates of participation (COPs) for general government purposes, agencies record the proceeds in governmental funds. This may be in a special revenue fund or, if the debt is for capital construction, it may be in a capital projects fund. Agencies record the obligation for the debt in the government-wide reporting fund. Repayments involve both the governmental fund (where the agency records the payments) and the government-wide reporting fund (where the agency adjusts the liability and records any amortization).

109. For general government debt, agencies may choose to establish debt service funds to record the accumulation of resources and payment of the debt.

110. When the state issues debt for proprietary funds, agencies record both the proceeds and the obligation for the debt in the proprietary fund itself.

111. Agencies must record the face amount of debt, underwriter's discount, original issue discount, original issue premium, and costs of issuance separately in the accounting records. It is not appropriate to record only the net amount of cash received.

112. Agencies should use transaction codes 567 and 568 (for cash in bank) and transaction codes 190 and 167R (for cash in State Treasury) to record cash transactions associated with the initial issuance of long-term debt. Agencies should use transaction codes 504 and 514 to record the liability for the debt.

113. For example, DAS issues general obligation bonds on behalf of an agency for general government purposes, which they sell at a premium. The entries to record the issuance (assuming cash in State Treasury) are as follows:

Governmental Fund

TC 190: To record the face amount of General Obligation bonds issued

DR 0065 Unreconciled Deposit	2,500,000	
CR 3100 Revenue Control – Cash (1501 GO Bonds *(DS Paid from GF)*)		2,500,000

Note: *If general obligation debt service (DS) is to be paid primarily by the General Fund, use 1501 GO Bonds (DS Paid from GF). If general obligation debt service is paid primarily from other dedicated funds, use 1500 GO Bonds (Dedicated Funds). The separation of revenue is **only** for general obligation bonds, and all other entries below are the same.*

TC 190: To record original issue premium

DR 0065 Unreconciled Deposit	50,000	
CR 3100 Revenue Control – Cash (1510 OIP Bonds)		50,000

TC 167R: To record underwriter's discount

DR 3500 Expenditure Control – Cash (4050 Bond Costs)	192,000	
CR 0065 Unreconciled Deposit		192,000

Note: *Because DAS managed the bond issuance, it will bill agencies for their portion of the costs of issuance. Agencies record the expense when paying the invoice using the T-codes provided by DAS. (Use Comp Object 4050 Bond Costs)*

Government-wide Reporting Fund

TC 504: To record liability for the debt for face value of GO bonds issued

DR 3200 GAAP Revenue Offset (1501 GO Bonds (DS Paid from GF))	2,500,000	
CR 1714 Bonds Payable – Noncurrent		2,500,000

TC 504: To record the original issue premium

DR 3200 GAAP Revenue Offset (1510 OIP Bonds)	50,000	
CR 1713 Premium on Bonds Sold		50,000

114. It is important that agencies use the same comptroller objects in the government-wide reporting fund as they use to record the entries in the governmental fund. This will ensure proper reporting of the transactions in the financial statements.

115. If there is accrued interest earned and payable from date of issuance to date of sale of the debt, agencies record it in the fund that will be making the debt service payments. Agencies use this interest to offset some portion of the first interest payment.

116. Use TC 191 to debit cash in State Treasury and credit accrued interest payable (use TC 507 for cash in bank).

117. Official documents of bond or COP issues may require that the agency establish reserves, which the agency will use for the payment of interest or principal on the debt near the end of the life of the issue. Agencies generally should hold any reserves in a separate D23 fund. Agencies use intrafund transfers to move the required reserve amount from the fund holding the proceeds into the separate D23 fund. DAS currently holds and reports all reserves related to lottery revenue bonds.

Payment of Principal and Interest

118. Generally, DAS manages the COP or bond debt service for agencies. When this occurs, agencies remit cash for principal and interest to DAS, which then remits the payments to the trustee or paying agent, who then pays the COP or bond holders. In that case, agencies record expenditures at the time the agency makes their payment to DAS using balanced transaction codes 760 and 761 (which liquidate the receivable in DAS established with TC 120).

    To make payments to DAS to remit to the trustee or paying agent:

Governmental Fund

T-Code 760: To record payment of principal and interest to DAS (billed by DAS)

DR 3500 Expenditure Control – Cash (7100 Principal – Bonds)	50,000	
CR 0070 Cash on Deposit with Treasurer		50,000
DR 3500 Expenditure Control – Cash (7250 Interest - Bonds)	2,000	
CR 0070 Cash on Deposit with Treasurer		2,000

If agency COP or bond debt service is **not** managed by DAS, but paid with cash on deposit with the Treasury (GL 0070), other transaction codes must be used. The appropriate transaction code depends upon the facts and circumstances. In this situation, agencies should contact Statewide Financial Management Services (SFMS) for transaction code guidance.

If the agency uses Cash in Bank (GL 0077) to make principal and interest payments, use TC 568.

119. When an agency makes principal payments, they must reduce the liability in the government-wide reporting fund. The entry to reduce the debt for payment of principal is as follows:

Government-wide Reporting Fund

TC 528: To reduce liability for bonds payable by amount of principal paid

DR 1714 Bonds Payable – Noncurrent	50,000	
CR 3600 GAAP Expenditure Offset (7100 Principal – Bonds)		50,000

Amortization of Original Issue Premium and Discount

120. Agencies must amortize original issue premiums and discounts over the life of the debt issue using a systematic and rational method. Agencies record amortization in the same fund that reports the discount or premium, (the government-wide reporting fund for general governmental debt and the proprietary fund for proprietary fund obligations).

121. For example, the entries to record amortization of the original issue premium for bonds issued for governmental activities is as follows:

Government-wide Reporting Fund

TC 523: To amortize original issue premium

DR 1713 Premium on Bonds Sold	2,500	
CR 3600 GAAP Expenditure Offset (7450 Amort Disc/Prem on Bonds)		2,500

Debt Issuance Costs

122. With the exception of issuance costs for prepaid insurance, agencies should recognize debt issuance costs as an expense in the period incurred.

123. Agencies should report prepaid insurance costs as an asset (prepaid items) and recognize the expense in a systematic and rational manner over the life of the related debt. (Use Comp Object 7468 Amortization of prepaid debt insurance)

Fiscal Year-end Entries

124. At fiscal year-end, agencies must record an accrual for interest payable as of June 30. This interest payable is equal to the amount of interest attributable to the period beginning the day after the last interest payment through June 30. Agencies should record the accrual in the same fund as the liability using TC 437, which will auto reverse in the following year.

125. If an agency transfers cash to a debt service fund for payment of principal or interest immediately after the end of the fiscal year, the agency should accrue interest payable in the debt service fund. The cash in a governmental fund is a current resource available for spending,

but since the agency will spend this cash for payment of principal and interest immediately after the fiscal year-end, it is appropriate for the agency to accrue a payable against that cash. This prevents an overstatement of current resources available for expenditure in the next period. If the agency makes this accrual in a debt service fund, they should not make an accrual in the government-wide reporting fund.

126. At fiscal year-end, it may be necessary to record or reclassify cash or investments held by a trustee. For COP debt that DAS manages, DAS shall provide information about cash and/or investments in agency debt service accounts. For lottery debt, agencies will need to obtain information by reviewing their online Union Bank Statements. Agencies should reclassify the cash balance related to debt held outside of Treasury to GL account 0928, Cash and Cash Equivalents – Restricted Noncurrent. Agencies should reclassify the cost of investments related to debt to GL account 0940, Investments-Restricted.

127. Agencies should disclose the amount in Cash in State Treasury related to bonds on the agency disclosure form titled, “Restricted Cash and Investments” from information obtained from their online State Treasury account. This disclosure allows SARS to properly reclassify the Cash in State Treasury to Cash and Cash Equivalents-Restricted.

128. For financial reporting purposes, agencies must report the principal due within one year separately from the long-term debt in both the government-wide reporting fund and proprietary funds. This involves a reclassification as follows:

Government-wide Reporting Fund

TC 475 and 475R: To record current portion of bonds payable for year-end reporting

DR 1714 Bonds Payable – Noncurrent	125,000	
CR 2951 System Clearing GL		125,000
DR 2951 System Clearing GL	125,000	
CR 1276 Bonds Payable – Current		125,000

Financial Statement Reporting

129. Governmental fund financial statements report bond and COP proceeds as other financing sources. Governmental fund financial statements report expenditures related to bond or COP issuance as other debt service expenditures.

130. In the proprietary fund financial statements, GAAP offsets eliminate bond and COP proceeds and principal payments against the change in the balance of outstanding debt.

131. The government-wide financial statements combine governmental funds and the government-wide reporting fund. Within the combined funds, GAAP offsets eliminate the proceeds and principal payments against the change in the balance of outstanding debt.

Disclosure Requirements

132. Agencies must complete year-end disclosure forms applicable to bonds and COPs to allow SARS to disclose required information in the notes to the State's financial statements. Agencies that issue audited financial statements must include required long-term debt disclosures in the notes to their financial statements. Relevant disclosures at fiscal year-end include:

    a. A description of the types of long-term debt authorized to be issued
    b. Schedules showing the changes in outstanding debt for each type of long-term debt for both governmental and business-type activities
    c. Schedules of future debt service requirements (principal and interest displayed separately) for each type of long-term debt for both governmental and business-type activities
    d. Terms and interest rates associated with variable-rate debt
    e. Amounts of long-term debt due within one year of the date of the financial statements
    f. Specific information related to demand bonds.

APPENDIX A

Transaction Codes for Bond and COP Programs

The following is a summary of suggested t-codes for use in bond and COP transactions.

This list is not all inclusive, but provides the most frequently used t-codes for debt transactions.

Cash Transactions:

Governmental/Proprietary/Fiduciary Fund:

TC 567	Record cash received on sale of COPs, interest income - Cash in Bank
TC 567R	Record negative revenue for original issue discount - Cash in Bank
TC 568	Record expenditure for issuance costs, interest payment - Cash in Bank
TC 190	Record cash received on sale of Bonds - Cash in Treasury
TC 190	Record negative revenue for original issue discount - Cash in Treasury
TC 167R	Record expenditure (ACH or wire transfer) for issuance costs - Cash in Treasury
TC 760/761	Remit COP principal and interest payment to DAS CFO - Cash in Treasury
TC 186	Recognize wire transfer or ACH transfer in - Cash in Bank
TC 479	Record transfer out - Cash in Bank

Issuance of Debt:

Governmental Fund:

TC 191	Establish accrued interest on Bond/COP sold – Cash in Treasury
TC 507	Establish accrued interest on Bond/COP sold
TC 512	Establish/adjust matured Bond/COP coupon payable
TC 513	Payment of accrued interest on Bond/COP

Proprietary/Fiduciary Fund:

TC 191	Establish accrued interest on Bond/COP sold – Cash in Treasury
TC 504	Establish/adjust payable/original issue discount/original issue premium for Bond/COP
TC 507	Establish accrued interest on Bond/COP sold
TC 511	Original discount/premium/prepaid insurance for Bonds/COP
TC 512	Establish/adjust matured Bond/COP coupon payable
TC 513	Payment of accrued interest on Bond/COP
TC 514	Record prepaid insurance/deferred outflows for Bond/COP
TC 516	Write-off Deferred Out/inflows and discount on bonds (advanced refundings/calls)
TC 517	Write-off original issue premium on Bond/COP (advanced refundings/calls)

Government-Wide Fund:

TC 504	Establish/adjust payable/original discount/original premium for Bond/COP
TC 514	Record prepaid insurance for Bond/COP
TC 516	Write-off various Bond/COP costs (advanced refundings/calls)
TC 517	Write-off original issue premium on Bond/COP (advanced refundings/calls)

Accreted Interest:

Proprietary/Fiduciary Fund/Government-wide:

TC 524	Establish/adjust accreted interest payable

Debt Service Principal and Interest:

Proprietary/Fiduciary Fund/Government-wide:

TC 528	Reduce liability for amount of principal paid for Bond/COP

Call or Refunding Related Transactions:

Proprietary/Fiduciary Fund/Government-wide:

TC 516	Write-off various Bond/COP costs
TC 517	Write off Bond/COP premium

Amortization:

Proprietary/Fiduciary Fund/Government-wide:

TC 520	Amortize prepaid insurance/original discount/deferred outflows
TC 523	Amortize original issue premium

Arbitrage Liability:

Proprietary/Fiduciary Fund/Government-wide:

TC 526	Establish/adjust arbitrage payable

Accrued Interest Payable:

Proprietary/Fiduciary Fund/Government-wide:

TC 437	Accrue interest payable at June 30

Reclassify Portion of Bond/COP Liability to Current Liability:

Proprietary/Fiduciary Fund/Government-wide:

TC 475	Set up current liability
TC 475R	Reduce noncurrent liability

Reclassify Restricted Assets:

Governmental/Proprietary/Fiduciary Fund:

TC 474	Report restricted assets
TC 474R	Reduce unrestricted asset account

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT:	Accounting and Financial Reporting	**Number:** 15.65.20
DIVISION:	Chief Financial Office	**Effective date**: March 25, 2014
Chapter:	Accounting and Reporting	
Part:	Arbitrage	
APPROVED:	George Naughton, Chief Financial Officer	Signature on File

PURPOSE: This policy provides guidance on accounting and financial reporting for arbitrage rebate liabilities.

AUTHORITY:
ORS 291.015
ORS 293.590
FASB Statement No. 5
GASB Statement No. 34
GASB 62
Internal Revenue Code Section 148

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**.

DEFINITIONS: **Arbitrage rebate payable** represents amounts due to the Internal Revenue Service for interest earned on unspent bond or COP proceeds that exceeds legally allowable returns.

Interest paid on most debt issued by the state is exempt from federal income tax. Because of this, bond and certificate of participation (COP) holders are willing to accept a lower interest rate than they would for taxable debt. The state may temporarily reinvest the proceeds of such debt in higher-yielding taxable securities, especially during construction projects. The federal tax regulations refer to the practice of taking advantage of the interest differential as arbitrage and require the state to rebate the excess interest earnings.

POLICY:

101. Agency management must ensure the proper accounting and reporting of arbitrage rebate liabilities.

102. Record arbitrage rebate liabilities as they are incurred or at least annually (at fiscal year end).

103. Report arbitrage rebate payments and/or estimated accruals as a reduction of revenue, even when the payments and/or accruals for rebatable arbitrage are greater than investment income for the fiscal year.

104. Complete an annual certification of compliance with federal arbitrage rebate requirements.

PROCEDURE:

Recording Arbitrage Rebate Payable

105. Record rebate payments due within one year in GL 1619, Arbitrage Rebate Payable-Current. Record amounts that are due in more than one year in GL 1719, Arbitrage Rebate Payable.

    a. Account for an arbitrage liability incurred by a **proprietary fund** within the accounts of that fund.

    b. Account for an arbitrage liability incurred by **governmental funds** (for general government purposes) in the **government-wide reporting fund**.

106. The entries to record arbitrage rebate payable are the same for proprietary funds and the government-wide reporting fund.

T-code 526: To record the full amount of the arbitrage rebate liability using comptroller object 0800 – Interest on Investments.

DR 3200 GAAP Revenue Offset (C/O 0800)	50,000	
CR 1719 Arbitrage Rebate Payable		50,000

T-code 475R: To reclassify the current portion of the arbitrage rebate liability by decreasing the noncurrent liability account.

DR 1719 Arbitrage Rebate Payable	10,000	
CR 2951 System Clearing General Ledger		10,000

TC 475: To reclassify the current portion of the arbitrage rebate liability by increasing the current liability account.

DR 2951 System Clearing General Ledger	10,000	
CR 1619 Arbitrage Rebate Payable-Current		10,000

Certification of Compliance

107. Except for agencies described in paragraph 109, agencies with outstanding tax-exempt debt prepare an annual certification of compliance with the federal arbitrage rebate requirements that includes the following items:

    a. The current and noncurrent portions of the arbitrage rebate liability attributable to each outstanding debt series as of June 30 of the fiscal year covered by the certification. The amounts per the certification should agree in total to the current and noncurrent arbitrage rebate liabilities recorded in the agency's accounting records.

    b. The outstanding debt series and the actual arbitrage rebate payments (including penalties, if any) made during the fiscal year covered by the certification.

    c. The name of the individual or firm that prepared or confirmed the arbitrage rebate calculations.

d. The signature of the agency's director or chief financial officer, certifying that the agency has (1) prepared the arbitrage rebate calculations and made arbitrage rebate payments consistent with federal arbitrage rebate requirements and (2) accounted for arbitrage rebate liabilities and payments according to this policy.

108. Agencies file the certification of compliance with Statewide Accounting and Reporting Services (SARS) no later than October 31 following the fiscal year covered by the annual certification. SARS forwards a copy of each certification to the State Treasurer's Office after confirming the certification meets the requirements of this policy (*see example of certification at end of policy*).

109. Agencies that have only COPs issued *after* 1989 and/or Lottery Revenue Bonds issued *after* 1997 are not required to file an annual certification. The Capital Finance Section of Budget and Management will file the certification on their behalf.

Financial Statement Reporting

110. SARS reports arbitrage rebate payable in the government-wide statement of net assets and in the proprietary funds balance sheet as a current and noncurrent liability.

111. In the government-wide statement of activities, SARS reports investment income (reduced by arbitrage rebate payments and accruals) as program revenue in the operating grants and contributions column. In the proprietary funds statement of revenues, expenses and changes in fund net assets, SARS reports payments and accruals of arbitrage rebates as reductions to investment income in the nonoperating revenues/expenses section of the statement.

Disclosure Requirements

112. At fiscal year end, agencies disclose changes in their arbitrage rebate liabilities (including beginning balance, increases, decreases, and ending balance) by completing the debt disclosure package.

Example of Arbitrage Certification

Agency Letterhead

Date*

DAS – Chief Financial Office
Statewide Accounting and Reporting Services (SARS)
155 Cottage Street NE, U50
Salem, OR 97301-3969

RE: FY 20xx Annual Certification of Compliance with Federal Arbitrage Requirements

The ___*[name of agency]*____ currently has outstanding tax-exempt debt subject to the federal tax code and regulations regarding arbitrage rebate.

SECTION ONE – Arbitrage Rebate Liability: The agency's outstanding debt series subject to the federal arbitrage rebate provisions and the most recent estimate of the agency's arbitrage rebate liability (both current and noncurrent) as of June 30, 20xx.

	Bond or COP Series	Current Liability	Noncurrent Liability
1.		$	$
2.			
3.			
	Total liability	$	$

SECTION TWO – Actual Arbitrage Rebate/Penalty Payments: The debt series and the amount of arbitrage rebate (including penalties, if any) *actually paid* during fiscal year 20xx.

	Bond or COP Series	Rebate/Penalty Paid
1.		$
2.		
3.		

The calculations of the actual payments listed in Section Two were prepared by__*[independent qualified firm]* ***OR*** were reviewed and confirmed by ______*[independent qualified firm]*__.

SECTION THREE – Certification: I certify that ___*[name of agency]*__has:

- Prepared the arbitrage rebate calculations and made arbitrage rebate payments in compliance with the federal tax code and applicable regulations; and

- Accounted for the estimated arbitrage rebate liability and actual payments according to *OAM 15.65.20 – Arbitrage*.

______________________________ ________________
Director or Chief Financial Officer Date

**Due to SARS no later than October 31 following the end of the fiscal year.*

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Reporting	**Number:**	15.65.30
Division:	Chief Financial Office	**Effective date:**	January 22, 2018
Chapter:	Accounting and Financial Reporting		
Part:	Debt Refunding		
Approved:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy provides guidance on accounting and financial reporting for refunding of long-term debt, including bonds and certificates of participation.

AUTHORITY: **ORS 293.590**
GASB Statement No. 7
GASB Statement No. 23
GASB Statement No. 34
GASB Statement No. 38
GASB Statement No. 65

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

DEFINITIONS: **Debt refunding:** The State issues debt and uses the proceeds to repay previously issued debt.

Current refunding: The State uses the proceeds of refunding debt within 90 days of issuance to repay previously issued debt.

Advanced refunding: The State places the proceeds of the refunding debt with an escrow agent, who invests them until they are used later to make future principal and interest payments on the old debt.

Legal defeasance of debt: This situation occurs in an advanced refunding, when the trustee of the escrow account becomes legally obligated for the refunded debt.

In-substance defeasance: This situation occurs in an advanced refunding, when the debt is considered defeased for accounting and reporting purposes even though *legal* defeasance has not occurred. Debt is considered defeased "in-substance" if all of the following conditions apply:

a. The placement of the resources in escrow is irrevocable.
b. Escrow resources can be used only for the scheduled debt service payments on the old debt.
c. The possibility of the State having to make future payments on that debt is remote.

d. All escrow resources are monetary and essentially risk-free.

e. Cash flows approximately coincide as to timing and amount with scheduled debt service payments.

Click here for other **definitions**.

POLICY:

101. Agency management must ensure the proper accounting and reporting of debt refunding transactions in accordance with generally accepted accounting principles (GAAP) and the official statements.

102. Annually, agencies submit disclosure packets to Statewide Accounting and Reporting Services (SARS) with all information needed to properly report and disclose debt refundings in the Comprehensive Annual Financial Report (CAFR). Agencies that issue separate audited financial statements must include all required disclosures related to refunded bonds and certificates of participation in the notes to their financial statements.

PROCEDURES:

Reporting Refunding of General Government Debt

103. When accounting for a refunding of general government debt, report the *proceeds* of the new debt and the *payment* of funds to the escrow agent for the old debt in the applicable governmental fund. Keep the type of debt consistent with the GAAP fund that reports the debt. For example, if a general obligation bond refunds a certificate of participation (COP), the accounting for the general obligation bond, including future payments, should occur in GAAP Fund 2003 General Obligation Bond Fund rather than GAAP Fund 2002 *Certificates of Participation Fund*. Report the debt, itself, in the government-wide reporting fund.

Accounting for Refunding of General Government Debt

104. Issuance of Refunding Debt. Accounting for a debt refunding closely parallels the accounting for original issue debt. The following entries record the issuance of refunding bonds and the payment of the proceeds to the escrow agent.

Debt Service Fund

TC 190: To record face value of bonds sold in a governmental fund.

DR 0065 Unreconciled Deposit	5,200	
CR 3100 Rev Cntrl-Cash (C/O 1505 Proceeds of Refund Debt)		5,200

TC 190R: To record refunding bond discount in a governmental fund.

DR 3100 Revenue Control-Cash (C/O 1508 OID-Bonds)	150	
CR 0065 Unreconciled Deposit		150

If bonds are refunded at a premium, use TC 190 and C/O 1510 OIP-Bonds to record that premium.

TC 167R: To record underwriter's discount ($50) and bond issuance costs ($30).

DR 3500 Expenditure Control-Cash (C/O 4050 Bond Costs)	50	
CR 0065 Unreconciled Deposit		50

Note: *Because DAS managed the bond refunding, it will bill agencies for their portion of the costs of issuance ($30). Agencies record the expense when paying the invoice using the T-codes provided by DAS. (Use Comp Object 4050 Bond Costs)*

TC 167R: To record payment to escrow agent from refunding bond proceeds.

DR 3500 Expend Cntrl Cash (C/O 7050 Refund Pmt to Escrow)	5,000	
CR 0065 Unreconciled Deposit		5,000

105. Use comptroller object 7050, *Refund Payment to Escrow Agent*, to report proceeds from a refunding debt issue that are paid to an escrow agent to refund the old debt. Use this comptroller object even if the actual payment is made directly by the counterparty to the escrow agent.

106. Use comptroller object 4051, *Bond Refund Debt Payment* (or 4056 for COPS), if an agency pays funds to an escrow agent from sources other than the refunding debt proceeds (such as from a bond-sinking fund or from other agency resources). In this situation, the payment to the escrow agent is recorded as a debt service expenditure rather than an other financing use.

Debt Service Fund

TC 167R: To record payment to escrow agent from sources other than refunding debt proceeds.

DR 3500 Expend Cntrl–Cash (C/O 4051 Bond Refund Debt Pmt)	1,000	
CR 0065 Unreconciled Deposit		1,000

107. Recording Liability for Refunding Debt. For general government debt, record the new refunding debt liability in the government-wide reporting fund. Record the bonds payable at face value unless they are zero coupon or deep discount bonds. Note that this entry also uses the same comptroller objects as the ones used to record the debt issuance above. In effect, the other financing source in the governmental fund is offset when the governmental funds are combined with the government-wide reporting fund to prepare the government-wide financial statements.

Government-wide Reporting Fund

TC 504: To record liability for new bonds in the government-wide reporting fund.

DR 3200 GAAP Rev Offset (C/O 1505 Proceeds of Refund Debt)	5,200	
CR 1714 Bonds Payable-Noncurrent		5,200

TC 504R: To record original issue discount in government-wide reporting fund.

DR 1712 Discount on Bonds Sold	150	
CR 3200 GAAP Revenue Offset (C/O 1508 OID-Bonds)		150

If your refunding bond sold at a premium, use TC 504, C/O 1510 OIP-Bonds and G/L 1713 Premium on Bonds Sold.

108. Removal of Old (Refunded) Debt. In addition to recording the new debt, the agency must remove the old debt from the accounting records, including any unamortized discount/premium or deferred inflows/outflows from gain/loss on refunding related to the old debt. Note that the comptroller objects used in these entries must exactly offset the comptroller objects used in the entries to record payments to the escrow agent. Some of the entries use comptroller object 7050 Refund Payment to Escrow, while other entries use comptroller object 4051 Bond Refund Debt Payment (see paragraphs 104, 105, and 106 above).

Government-wide Reporting Fund

TC 528: To eliminate defeased debt from government-wide reporting fund.

DR 1714 Bonds Payable - Noncurrent	5,000	
CR 3600 GAAP Expend Offset (C/O 7050 Refund Pmt to Escrow)		5,000

DR 1714 Bonds Payable-Noncurrent	500	
CR 3600 GAAP Expend Offset (C/O 4051 Bond Refund Debt Pmt)		500

TC 514R: To eliminate discount related to defeased bonds from government-wide reporting fund.

DR 3600 GAAP Expend Offset (C/O 4051 Bond Refund Debt Pmt)	160	
CR 1712 Discount on Bonds Sold		160

109. Deferred Gain or Deferred Loss on Refunding. Agencies must also record the deferred gain or deferred loss on the refunding. This is the difference between the reacquisition price and the net carrying amount. Calculate the deferral as follows:

Face value of refunded debt	5,500
Discount on refunded debt	(160)
Net carrying amount	5,340
Net proceeds to escrow agent	5,000
Additional payment to escrow agent	1,000
Reacquisition price	6,000
Deferred Loss on Refunding	(660)

Government-wide Reporting Fund

TC 514: To record deferred loss on refunding.

DR 1000 Deferred Outflow-Loss on Debt Refunding	660	
CR 3600 GAAP Expend Offset (C/O 4051 Bond Refund Debt Pmt)		660

If the refunding resulted in a deferred gain on refunding it would be recorded with TC 523 and GL 1851 Deferred Inflows-Gain on Debt Refunding.

Note: *If the refunded debt is deep discount debt and the net proceeds to escrow agent equal the face value of the refunded debt, to calculate the carrying amount agencies must add the associated accreted interest payable (GL 1709) to the outstanding payable balance of the refunded debt. The face value of the refunded debt would not be considered in the calculation*

110. Amortize discounts and premiums on new refunding debt issues the same as for any other debt issue. Amortize the deferred gain or deferred loss, together with any unamortized balances from prior refundings, over the shorter of the life of the new debt or the remaining life of the old debt. Amortize all balances in a systematic and rational manner.

Refunding Debt in Proprietary Funds

111. Agencies record refunding debt transactions in proprietary funds using the same transaction codes and accounts as used in the examples above; however, *all* entries are made within the applicable proprietary fund. The GAAP offset accounts eliminate the refunding proceeds, payments to escrow agent, premiums, and discounts within the proprietary fund for financial reporting purposes rather than in the government-wide reporting fund, as is the case for governmental funds. The transaction codes and accounts used in the example above to record deferred gain or loss on refunding are also made within the applicable proprietary fund.

Financial Reporting

112. Governmental funds financial statements use the current financial resources measurement focus and modified accrual basis of accounting. As a result, these statements reflect the proceeds from the issuance of refunding debt as other financing sources and any proceeds used to refund old debt as other financing uses. Resources from sources other than refunding debt proceeds used to refund old debt are recorded as debt service expenditures. Gross premiums and discounts are recorded as other financing sources and other financing uses, respectively. All issuance-related costs are treated as expenditures of the governmental fund.

113. Proprietary funds financial statements use the economic resources measurement focus and full accrual basis of accounting. As a result, these statements do not reflect refunding debt proceeds and payment of the proceeds to an escrow agent as revenues and expenses. The GAAP offset accounts eliminate these items for financial reporting purposes.

114. In an advance refunding, the trustee of the escrow account often legally becomes obligated for making all future payments related to the refunded debt, meaning the state is only contingently liable for the debt's repayment. Since the state does *not* report contingent obligations as liabilities, the refunded debt and any related unamortized items, as well as the related escrow assets held in trust for its repayment, are not reported in the financial statements (legal defeasance).

115. Sometimes debt is considered defeased for accounting and reporting purposes even though legal defeasance has not occurred. In most of these cases, the placing of the refunding debt proceeds in escrow with a trustee is considered *economically equivalent* to a legal defeasance. Because accounting and financial reporting emphasize *economic substance* over *legal* form, the state treats this type of situation as an in-substance defeasance. If all of the conditions listed in the *Definitions* section above are met, the state does not report the refunded debt and any related unamortized items, in the financial statements.

Disclosure Requirements

116. The notes to the financial statements must include a general description of debt refunding transactions. In the year of the refunding, disclosures must include the difference between the cash flows required to service the old debt and the cash flows required to service the new debt. The notes must also disclose the economic gain or loss resulting from the transaction.

   a. When measuring the difference between the two cash flows, add additional cash used to complete the refunding (e.g., for issuance costs or payments to the escrow agent) paid from resources other than proceeds of the new debt to the new debt cash flows. Exclude accrued interest received at the bond issuance date from the new debt cash flows.

b. Economic gain or loss is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate and adjusted for additional cash paid.

117. In all periods following an advance refunding for which debt defeased in-substance remains outstanding, the notes to the financial statements must include the amount of that debt, if any, outstanding at year-end.

118. All disclosures required by this policy should focus on the primary government – specifically, the governmental activities, business-type activities, major funds, and nonmajor funds in the aggregate. Information about the government's discretely presented component units should be presented if deemed essential to understanding the primary government’s relationship with the component unit. If circumstances exist in which aggregate disclosures are misleading, the state may make additional or separate disclosures by fund.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT:	Accounting and Financial Reporting	**Number:** 15.70.00
DIVISION:	Chief Financial Office	**Effective date**: April 16, 2009
Chapter:	Accounting and Financial Reporting	
Part:	Compensated Absences	
APPROVED:	George Naughton, Chief Financial Officer	Signature on file

PURPOSE: This policy provides guidance on accounting and financial reporting for compensated absences.

AUTHORITY: GASB Statement No. 16
GASB Statement No. 34
GASB Interpretation No. 6

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**.

DEFINITIONS: **Compensated absences** are those absences for which employees are paid, such as vacation leave, sick leave, compensatory time, or personal business leave. For purposes of this policy, the term compensated absences is strictly limited to employee leave that is *attributable to services already rendered* and is not contingent on a specific event that is outside the control of the employee or employer. Vacation time and compensatory time meet this definition. Both types of leave are attributable to past services and, if not used, are fully reimbursable to the employee at termination or retirement.

The liability for compensated absences does *not* include sick leave or personal business time. Paid time off for earned sick leave is contingent on a specific event (illness) that is outside the control of the employer and employee. Therefore, sick leave is recorded as an expenditure/expense in the period in which the illness occurs. Unused personal business time is recorded as an expenditure/expense in the period used because this annual benefit is not attributable to past services and lapses at each June 30.

POLICY:

101. Agency management is responsible for ensuring that the agency's accounting and reporting for compensated absences is appropriate.

102. For financial reporting purposes, agencies must record a liability for compensated absences at fiscal year end.

PROCEDURES:

Determining the Liability

103. The liability reported at fiscal year end is calculated by multiplying each employee's hourly rate, as of the balance sheet date, times the employee's accumulated hours of vacation and compensatory time. The liability also includes salary-related payments that are directly and incrementally related to the amount of salary paid to the employee. Typically, salary-related payments include the employer's share of social security taxes, Medicare taxes, employer contributions to retirement plans, and mass transit taxes. The total liability for each agency is the accumulated total for all employees of the agency.

104. In July of each year, Statewide Accounting and Reporting Services (SARS) section provides data to agencies for calculating and recording their liability for compensated absences. In addition, SARS performs an annual calculation to determine the appropriate percentages for allocating the liability between current and noncurrent.

Fund Accounting

105. **Governmental fund types** report a current liability for compensated absences when the balance owed to the employee is "due and payable." In governmental funds, compensated absences are considered due and payable *only* when the employee terminates. Because the amount due and payable as of each June 30 is insignificant, agencies should not record a liability for compensated absences in the governmental funds.

106. Agencies are required to record a liability for compensated absences in the **government-wide reporting fund**. For government-wide reporting purposes, the current portion is that portion expected to be used within one year of the balance sheet date. Therefore, two entries may be needed in the government-wide reporting fund: one entry to record the current portion of the compensated absence liability, and another to record the noncurrent portion. If all leave balances are expected to be used within one year of the balance sheet date, the entire liability recorded in the government-wide reporting fund is reported as current.

107. Compensated absences directly related to and expected to be paid from **proprietary funds** or **fiduciary funds** should be reported in the accounts of those funds. Agencies record the portion of the liability that is expected to be used within one year of the balance sheet date as a current liability. The remainder is recorded as a noncurrent liability.

108. Agencies use the following entries to record the current and noncurrent portions of the compensated absences liability:

TC 440: Record the current portion of vacation payable for all fund types.

DR 3600 GAAP Expenditure Offset-Personal Services	1,000	
CR 1605 Vacation Payable - Current		1,000

TC 442: Record the long-term portion of vacation payable for all fund types.

DR 3600 GAAP Expenditure Offset-Personal Services	1,000	
CR 1718 Vacation Payable -Noncurrent		1,000

Financial Reporting

109. The accrual entries illustrated above to recognize the liability for compensated absences in the state's annual financial statements are required by generally accepted accounting principles (GAAP). For budgetary accounting, the expenditure/expense for vacation pay and compensatory time is recognized *only* when actually paid to the employee.

110. The following information related to liabilities for compensated absences must be disclosed in the annual financial statements:

    a. Beginning and end of year balances

    b. Increases and decreases (presented separately) during the year

    c. The portion of each liability that is due within one year of the financial statement date

    d. Which governmental funds typically have been used to liquidate long-term liabilities in prior years

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT:	Accounting and Reporting	**Number:**	15.75.00
DIVISION:	Chief Financial Office	**Effective date:**	July 1, 2012
Chapter:	Accounting and Financial Reporting		
Part:	Claims and Judgments		
Section:			
APPROVED:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy provides guidance on accounting and financial reporting for claims and judgments payable in accordance with generally accepted accounting principles (GAAP).

AUTHORITY: **ORS 293.590**
NCGA Statement No. 4
GASB Statement No. 10

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**.

DEFINITIONS: A **claim** is a demand for payment of damages, or a policy benefit for insured risks resulting from the occurrence of an event such as personal injury or property damage.

A **judgment** is an obligation created by a decision of the court.

POLICY:

101. Agency management must ensure the proper accounting and reporting of claims and judgments.

102. The Risk Management Division of the Department of Administrative Services manages claims for tort liability, property damage, and workers' compensation centrally for state agencies. Risk Management reports an estimated liability that includes incurred but not reported claims for these charges. Risk Management allocates costs to agencies based on historical costs of claims.

103. Agencies must provide information about claims and judgments payable by completing the applicable general disclosure forms included in the year-end General Disclosures package. Agencies that prepare audited financial statements must report and disclose applicable information in their own financial statements.

PROCEDURE:

104. Accrue a liability for claims and judgments when it is probable that the agency has incurred a loss and can reasonably estimate the amounts in question. If the estimate of loss is a range of possible amounts, with no amount in the range more probable than any other, accrue the minimum of the range. In this case, disclose the range of possible loss amounts in the notes to the financial statements.

105. If the possibility that the agency has incurred a loss is probable or reasonably likely, but the agency cannot reasonably estimate the amount, then disclose the nature of the contingent loss in the notes to the financial statements. Include in the disclosure either a range of possible losses, or a statement that no estimate of the amount of loss can be made.

106. Do not report claims and judgments in governmental funds until they are due and payable. Record governmental fund obligations not payable from current financial resources in the **government-wide reporting fund**, so that the government-wide financial statements will include them.

107. Record the noncurrent portion of obligations for claims and judgments payable in general ledger account 1717, Claims and Judgments Payable. At fiscal year end, reclassify the current portion of claims and judgments payable to general ledger account 1617, Claims and Judgments Payable-Current using transaction code 475.

Disclosure requirements

108. Notes to the financial statements should include the following information about claims and judgments payable:
   a. beginning- and end-of-year balances (regardless of whether the government-wide financial statements present prior-year data)
   b. increases and decreases (separately presented)
   c. the amount that is due within one year of the statement date
   d. which governmental funds typically have liquidated claims and judgments payable in prior years
   e. the range of possible loss amounts, if applicable (see paragraph 104)
   f. the nature of any contingent loss for which the amount of the possible loss cannot be reasonably estimated (see paragraph 105)

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL			
SUBJECT:	Accounting and Financial Reporting	**Number:**	15.77.00
DIVISION:	Chief Financial Office	**Revision date:**	July 1, 2010
Chapter:	Accounting and Financial Reporting		
Part:	Pollution Remediation Obligations		
APPROVED:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy provides guidance on accounting and financial reporting for pollution remediation obligations, including accounting for recoveries from insurance and/or other responsible or potentially responsible parties related to remediation.

AUTHORITY: **ORS 293.590**
Governmental Accounting Standards Board (GASB), Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*

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**.

This policy does not apply to the following:

a. Pollution prevention or pollution control obligations

b. Landfill closures and postclosure care obligations

c. Future pollution remediation upon retirement of an asset

d. Capital asset impairments under GASB Statement No. 42

e. Non-exchange transactions, such as brownfield redevelopment grants, under GASB Statement No. 33

DEFINITIONS: **Pollution**: The presence of a substance in the environment that because of its chemical composition or quantity prevents the functioning of natural processes and produces undesirable environmental and health effects. (U.S. Environmental Protection Agency)

Pollution remediation obligation: An obligation to address the current or potential detrimental effects of **existing** pollution by participating in remediation activities. Examples: obligations to clean up spills of hazardous wastes or hazardous substances; obligations to remove contamination such as asbestos.

POLICY:

101. Agency management must ensure proper accounting and reporting of pollution remediation liabilities. When an agency knows or suspects pollution may exist at a site, it must take steps to determine whether an obligating event has occurred that requires accounting for a pollution remediation obligation. Agencies must make the identification of obligating events a normal part of their procedures when acquiring, remodeling, or cleaning up property.

102. Pollution remediation activities include the following:

   a. Pre-cleanup activities, such as site assessments, design of remediation plans, and feasibility studies

   b. Actual cleanup activities, such as neutralization, containment, removal and disposal of pollutants, and site restoration

   c. External government oversight and enforcement-related activities (such as work performed by a state or federal environmental regulatory authority) dealing with the site and chargeable to the agency

   d. Ongoing post-remediation monitoring that the agency is required to perform

103. Outlays for pollution remediation include all direct costs related to the cleanup activities, such as payroll and benefit costs, equipment and facilities, materials, and legal and other professional services. In addition, agencies may include estimated indirect outlays, such as general overhead.

104. The following outlays are not part of performing pollution remediation and are not included in the remediation liability: fines, penalties, toxic torts, workplace safety costs, and litigation support involved with potential recoveries from insurance and/or other responsible or potentially responsible parties.

105. Remediation obligations generally result in expense recognition and reporting of pollution remediation liabilities. In certain instances, an obligation to participate in remediation activities may result in recognition of capital assets.

PROCEDURES:

Obligating Events

106. When an agency knows or believes that pollution exists at a site, it must determine if any of these five events has occurred:

   a. Pollution poses an imminent danger to the public or environment and the agency has little or no choice but to take immediate action. *Examples: cleanup of hazardous wastes or hazardous substances.*

   b. The agency violates a pollution prevention permit or license, such as Resource Conservation and Recovery Act (RCRA) or similar permits under Federal or state law.

   c. The agency is named (or evidence indicates it will be named) by a regulator as responsible or potentially responsible for cleaning up pollution or for sharing costs. *Example: the Superfund law requires that the state pay or ensure payment of 10% of the cost of remedial* *action and 100% of the cost of operations and maintenance at sites that are privately owned or operated and for which no financially viable party can be found.*

d. The agency is named (or evidence indicates that it will be named) in a lawsuit to compel the agency to participate in remediation.

e. The agency legally obligates itself or begins to clean up pollution or perform post cleanup activities.

107. If none of the above events has occurred, the agency is not required to calculate or report a pollution remediation liability. However, if one or more of the events has occurred and the agency can estimate a range of potential outlays, it must calculate and report a liability in the financial statements.

108. The agency is only required to estimate and report liabilities for remediation activities that can be *reasonably* estimated. Example: if in the early stages of pollution remediation the agency can reasonably estimate only legal fees and site testing costs, it accrues only those costs. Once the agency can reasonably estimate additional remediation costs, it accrues those costs at that time. (See the attached flowchart.)

Measurement of the Obligation

109. Pollution remediation liabilities are measured at their current value. Because settlement of pollution remediation activities is not always possible in the current period, settlement may involve future events. A remediation liability, therefore, is based on reasonable and supportable assumptions about future events that may affect the eventual settlement of the liability. GASB Statement No. 49 uses an "expected cash flow" measurement technique. This technique directs agencies to estimate the ranges of potential outlays to remediate the pollution.

Example: Potential pollution remediation outlays range from $150,000 with a 20% probability to $500,000 with a 10% probability. The most probable outlay expected is $320,000 with a probability of 70%. Calculation:

(($150,000 x 0.2) + ($500,000 x 0.1) + ($320,000 x 0.7)) = $304,000

110. When calculating the liability using the expected cash flow technique, agencies need to consider expected recoveries from insurance policies and/or other responsible or potentially responsible parties. An anticipated recovery is included in the measurement by reducing the remediation expense and affecting the liability as follows:

a. If the expected recoveries are not yet realized (received) or realizable (cost recovery agreed to by the other parties), the recoveries reduce the liability.

b. If the expected recoveries are realized or realizable, recognize them separately from the liability as assets (for example, as cash or a receivable).

Example: Using the above liability of $304,000, the agency expects to recover, but has not yet realized, $40,000 from an insurance policy. In this case, reduce the liability and remediation expense to $264,000.

If the agency has realized the insurance recovery, the liability would remain at $304,000, but the expense would decrease and cash would increase by $40,000.

111. An insurance recovery generally is realizable when the insurer admits or acknowledges coverage. If the agency receives or expects to receive recoveries in periods following the completion of all remediation work and a liability no longer exists, it records the transaction as a reduction in expense and an increase to cash or accounts receivable.

112. Agencies must adjust their pollution remediation liabilities at each fiscal year end, using the latest available information to estimate the remaining outlays required to complete their projects.

Accounting for the Obligation

113. When an agency determines a pollution remediation obligation exists and can make a reasonable and supportable estimate of expected outlays, it must establish a noncurrent liability. The agency adjusts the remediation obligation and expense at each subsequent year-end in the government-wide reporting fund and proprietary funds.

T-code 457: To accrue or adjust the long-term liability:

DR 3600 GAAP Exp Offset (C/O 4690 Pollution Remed Outlay)	1,000	
CR 1780 Pollution Remediation Obligation - Noncurrent		1,000

114. In the government-wide reporting fund and proprietary funds, reclassify as a current liability the portion of the liability expected to be paid within one year of the balance sheet date.

T-code 475R:

DR 1780 Pollution Remediation Obligation - Noncurrent	500	
CR 2951 System Clearing General Ledger		500

T-code 475:

DR 2951 System Clearing General Ledger	500	
CR 1680 Pollution Remediation Obligation – Current		500

115. If an agency expects to receive recoveries from insurance policies and/or other responsible or potentially responsible parties, it should consider the recoveries when establishing the pollution remediation obligation.

T-code 457R: To record an expected, but not yet realized or realizable, recovery in government-wide and proprietary funds:

DR 1780 Pollution Remediation Obligation	1,000	
CR 3600 GAAP Expenditure Offset (C/O 4690)		1,000

T-code 172: To record a realized (received) recovery in governmental and proprietary funds:

DR 0065 Unreconciled Deposit	1,000	
CR 3500 Expenditure Control – Cash (C/O 4690)		1,000

T-code 904: To accrue a realizable recovery (a receivable) in governmental and proprietary funds:

DR 0503 Accounts Receivable – Other Unbilled	1,000	
CR 3505 Expenditure Control-Financial Stmt Accrual (C/O 4690)		1,000

T-code 172: To record recoveries received after the pollution remediation work has been completed and for which a remediation liability no longer exists:

DR 0065 Unreconciled Deposit	1,000	
CR 3500 Expend Control-Cash (C/O 7511 Ins Recovery)		1,000

Capitalization of Pollution Remediation Outlays

116. Normally, an agency accounts for the estimated costs to acquire facilities and equipment that will be used exclusively in pollution remediation activities as a component of the pollution remediation obligation. The eventual purchase of the facilities and equipment is recorded as a reduction of the previously recognized liability for pollution remediation outlays.

117. However, an agency capitalizes pollution remediation outlays in the government-wide reporting fund and proprietary funds when goods and services are acquired under the following circumstances:

a. *To prepare property in anticipation of a sale*. The agency may not capitalize amounts that would result in a carrying value that exceeds the fair market value upon completion of the remediation.

Example: The agency purchased a building and land for $100,000 with the expectation of cleaning up the site for resale, at expected outlays of $130,000 to $170,000. No amounts within the range were considered better estimates. The agency has a potential buyer for $245,000. Pollution remediation measurement:

(($130,000 x 0.5) + ($170,000 x 0.5)) = $150,000

The purchase price and expected pollution remediation outlays ($100,000 + $150,000) exceed the fair market value ($245,000) by $5,000. Because the agency cannot capitalize amounts exceeding the fair market value, it records a pollution remediation liability and expense for $5,000. No amount is recorded for the expected pollution remediation to be capitalized; those outlays are not recognized until incurred.

b. *To prepare property for use when the property was acquired with known or suspected pollution that was expected to be remediated.* The agency may capitalize only pollution remediation outlays required to place the property into its intended location and condition for use.

NOTE: For outlays under (a) and (b), capitalization is appropriate only if the outlays take place within a reasonable period prior to the expected sale or following acquisition of the property.

c. *To restore a pollution-caused decline in service utility that was recognized as an asset impairment*. In this case, the agency capitalizes only the outlays necessary to place the asset into its intended location and condition for use. See **OAM 15.60.25**, *Capital Asset Impairments.*

d. *To acquire property, plant and equipment with an alternative use*. In this situation, the agency capitalizes outlays only to the extent of the estimated service utility that exists after remediation activities end. Example: the acquisition of land is generally considered a capital asset because, even after pollution has been remediated, land still has an alternative future use.

Financial Statement Reporting

118. The Statewide Accounting and Reporting Services (SARS) reports the costs associated with recognition of a pollution remediation obligation in the statement of activities (government-wide reporting fund) and statement of revenues, expenses, and changes in fund net assets (proprietary funds) as a program or operating expense, special item or extraordinary item.

119. The SARS reports the pollution remediation obligation in the statement of net assets (government-wide reporting fund) and the balance sheet (proprietary funds) as a current and/or noncurrent liability.

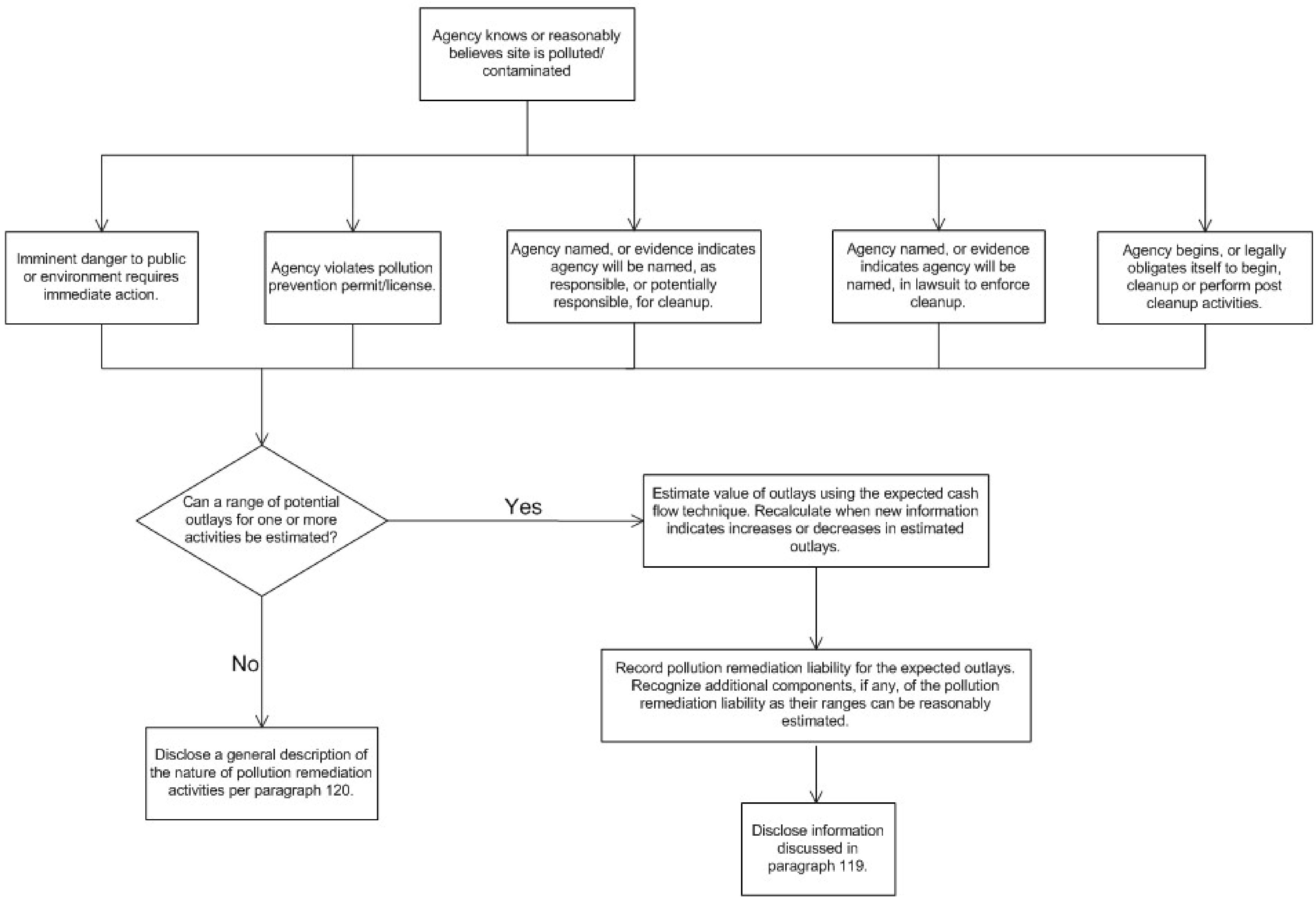
Disclosure Requirements

120. The SARS discloses pollution remediation activity in the state's financial statements. Agencies must provide the following information when completing the year-end General Disclosure forms.

- The nature and source of the reported pollution remediation obligations
- The amount of the estimated liability
- The methods and assumptions used to estimate the liability
- The potential for changes in the estimate due to external factors
- Estimated recoveries from insurance policies and/or other responsible or potentially responsible parties that reduce the liability

121. Agencies must also disclose a general description of the nature of the remediation activities for liabilities not yet recognized because they cannot be reasonably estimated.

FLOWCHART FOR EVALUATING POLLUTION REMEDIATION OBLIGATIONS



DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT: Accounting and Reporting		**Number:** 15.80.00
DIVISION: Chief Financial Office		**Effective date:** July 1, 2011
Chapter: Accounting and Financial Reporting		
Part: Commitments		
Section:		
APPROVED: George Naughton, Chief Financial Officer		Signature on file

PURPOSE: This policy provides guidance on accounting and financial reporting for commitments, including applicable disclosure requirements.

AUTHORITY:
ORS 293.590
NCGA Statement No. 1
NGCA Interpretation No. 6
GASB Statement No. 13
GASB Statement No. 54

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**.

DEFINITIONS:

Commitment: An existing arrangement to enter into future transactions or events; it represents an obligation not expected to be fully paid from current financial resources. Entering into a contract does not result in immediate recognition of a liability. Until performance under the contract has occurred, the contract represents a commitment. Examples include:

- Long-term construction contracts
- Long-term contractual obligations with suppliers for the future purchase of goods or services at specified prices or quantities
- Long-term contracts for personal services, equipment purchases, and systems development
- Other long-term arrangements such as operating leases, grants, loans

Encumbrance: A formal commitment of resources to purchase goods or services within the current biennium.

Operating lease: A type of lease agreement that does not transfer the risk of ownership to the lessee.

POLICY:

101. Agency management is responsible for the proper accounting and reporting of commitments.

102. Agencies must disclose significant commitments by completing the appropriate forms included in the yearend General Disclosures package. Agencies that prepare audited financial statements must disclose their own commitments in the notes to the financial statement.

103. Agencies should consider the encumbrance accounting criteria established in OAM 20.20.00 to determine if a long-term contract or other arrangement is more appropriately recorded as an encumbrance or disclosed as a commitment. Agencies must be careful to report the obligation only once. If the long-term contract or other arrangement is recorded as an encumbrance, do not also disclose it as a commitment.

PROCEDURES:

Construction Commitments

104. If your agency signs a long-term construction contract or issues a construction-related purchase order that covers an extended period and represents a significant dollar amount, and the obligation is unencumbered at the end of the reporting period, disclose the following information at yearend:

a. A description of the commitment

b. The dollar amount and basic terms of the commitment, including the amount spent to date and the amount remaining under the commitment

c. The funding source expected to liquidate the commitment (general funds, federal funds, lottery funds, or other funds)

Other Commitments

105. If your agency has significant loans, grant agreements, equipment purchase contracts, personal service contracts, or systems development contracts that are outstanding and unencumbered at the end of the reporting period, disclose the following information at yearend:

a. A description of the commitment

b. The dollar amount remaining under the agreement or contract

c. The funding source expected to liquidate the commitment

Operating Leases

106. If your agency has entered into significant noncancelable operating lease agreements as the lessee, disclose the following information at yearend:

a. Rental costs applicable to the current fiscal year.

b. Future minimum rental payments for each of the next five years and, thereafter, in five-year increments.

(NOTE: Do not consider a lease to be cancelable simply because it contains a "fiscal funding clause" which states that the lease is cancelable in the event funds are not appropriated to cover the required lease payments. The likelihood of the lease being canceled must be evaluated. The potential for cancellation of most government lease agreements is remote.)

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	**Number:**	15.85.00
Division:	Chief Financial Office	**Effective date**:	December 5, 2013
Chapter:	Accounting and Financial Reporting		
Part:	Fund Equities		
Approved:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy provides guidance on accounting and financial reporting for fund balance and net position (equities). It also provides guidance on classifying fund balances in governmental funds.

AUTHORITY:
ORS 293.590
GASB Statement No. 34
GASB Statement No. 46
GASB Statement No. 54
GASB Statement No. 63

APPLICABILITY: This policy applies to all state agencies included in the state's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

DEFINITIONS: **Fund balance:** The difference between the assets and liabilities reported in a governmental fund. Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

a. *Nonspendable fund balance* represents amounts that cannot be spent because they are either (1) not in spendable form (e.g., inventories, prepaid items, etc.) or (2) legally or contractually required to be maintained intact (e.g., the principal of a permanent fund).

b. *Restricted fund balance* results when constraints on the use of fund balance are either (1) externally imposed by creditors (e.g., by debt covenants), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through the Oregon Constitution or by enabling legislation.

c. *Committed fund balance* represents amounts that are constrained to specific purposes imposed by formal action of the Legislature (legislation passed by the Legislature and approved by the Governor).

d. *Assigned fund balance* represents resources that are constrained by the state's intent to use them for a specific purpose, but are neither restricted nor committed. In general, assigned fund balance is the residual classification in all governmental funds, except the General Fund, and includes all remaining fund resources.

e. *Unassigned fund balance* is the residual classification for the General Fund.

Enabling legislation: Legislation that authorizes the state to assess, levy, charge, or otherwise mandate payment of resources from external resource providers *and* includes a legally enforceable requirement to use those resources only for the purposes specified in the legislation.

GAAP fund: Refers to the fund level used for financial reporting purposes. In R*STARS, each D23 detail fund rolls up to a pre-determined GAAP Fund.

Net position: The difference between the assets and liabilities reported in proprietary funds, fiduciary funds, and the government-wide financial statements. In the proprietary fund and the government-wide statements of net position, “net position” is comprised of three components:

a. *Net Investment in capital assets* is the difference between capital assets (net of accumulated depreciation) and the liabilities attributable to the acquisition, construction or improvement of those assets.

b. *Restricted net position* results when constraints on the use of fund equity is either (1) externally imposed by creditors (e.g., by debt covenants), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through the Oregon Constitution or by enabling legislation. If some net position is restricted on a permanent basis (in perpetuity), this category is subdivided into expendable and nonexpendable.

c. *Unrestricted net position* represents the fund equity not classified as net investment in capital assets, or as restricted net position.

Fiduciary funds report net position as restricted for pension benefits; other postemployment benefits; external investment pool participants; or individuals, organizations, and other governments, depending on the GAAP fund.

Prior period adjustment: An adjustment made to correct a material error in a prior financial statement. It is not properly included in the results of operations for the current period, but rather is a direct adjustment to beginning fund equity.

Click here for other **definitions**.

POLICY:

101. Agency management is responsible for properly classifying and reporting fund equities.

102. Agencies must determine the appropriate fund balance classification for each governmental fund based on the GASB Statement No. 54 criteria described in Appendix A.

103. To comply with other financial reporting requirements related to equities, agencies must complete the appropriate forms included in the year-end General Disclosures package. These forms require disclosure of prior period adjustments, the effect of changes in accounting principles, changes in fund equity, restricted net position in proprietary funds, and the amount of debt related to capital assets.

PROCEDURES:

Governmental Funds

104. For governmental funds, refer to Appendix A of this policy to determine the appropriate fund balance classification.

105. Record nonspendable fund balances using the specific R*STARS transaction code established for each nonspendable general ledger account.

106. Classify the fund balance associated with loans receivable and advances to other funds as nonspendable fund balance in the GAAP General Fund only. Include the fund balance associated with loans receivable and advances to other funds in the appropriate fund balance classification (restricted, committed, or assigned) in the other governmental funds.

107. Classify the fund balance associated with inventories and prepaid amounts as nonspendable fund balance, unless inventories include property held for resale and the proceeds from the sales are restricted, committed or assigned to a specific purpose. In that case, the restricted, committed, or assigned fund balance classification takes precedence over the nonspendable fund balance category.

108. When establishing a D23 Fund Profile for a governmental fund, use one of the following two-digit G54 codes to indicate the appropriate fund balance classification :

    R1 – Fund balance restricted by federal grants, federal laws, or federal regulations
    R2 – Fund balance restricted by the Oregon Constitution
    R3 – Fund balance restricted by enabling legislation
    R4 – Fund balance restricted by debt covenants
    R5 – Fund balance restricted by donors or other external parties
    C1 – Committed fund balance
    A1 – Assigned fund balance
    U1 – Unassigned fund balance (GAAP General Fund only)

109. If more than one fund balance category applies to the resources accounted for in a D23 fund, select the category that comprises the majority of the resources for closing purposes. At year end, determine the proper allocation and reclassify to the other fund balance categories as needed using transaction codes 453 and 454.

110. In permanent funds (GAAP Fund 7505), fund balance is restricted by definition. Use transaction codes 453 and 454 to reclassify initial or additional permanent fund principal to the nonspendable category.

Proprietary Funds

111. Restricted net position is restricted assets reduced by the amount of any related debt. For example, if an agency holds restricted cash in a separate bank account to make the final debt service payment on a bond issue, the agency offsets the cash by the related debt, leaving no restricted net position to report.

Prior Period and Post Closing Adjustments

112. Use prior period and post closing adjustments to record the correction of a material error in a prior year's financial statement. If the error is discovered shortly after fiscal year end, before completion of the Comprehensive Annual Financial Report (CAFR), and the error is corrected

for CAFR reporting, Statewide Accounting and Reporting Services (SARS) will direct the agency to record a post closing adjustment to correct R*STARS. If discovery of the error does not occur in time to correct the CAFR, the agency must record a prior period adjustment to make the correction.

113. Examples of errors that could result in a prior period or post closing adjustment include:

a. Errors in mathematical calculations
b. Errors in application of an accounting principle, e.g., not accruing revenue that was measurable and available in a governmental fund type
c. Oversight or misuse of facts that existed when the financial statements were prepared
d. Change from an accounting principle that is not generally accepted to one that is generally accepted
e. Adjustments to revenues or expenditures in the current year that create material misstatements of the current period results of operations because the adjustments are attributable to prior period revenues or expenditures

114. Assume, for example, that an agency discovers after the close of Month 13 that it failed to accrue $10 million in federal revenue. The agency notifies SARS, and SARS makes an adjustment during compilation to report the revenue correctly in the CAFR. The agency receives and records the revenue in the current year during September. SARS will direct the agency to make a post closing adjustment to reconcile R*STARS to the CAFR.

TC 113: To correct a prior year understatement of revenue

DR 3200 Revenue GAAP Offset – C/O 0300 (Federal Revenue)	10,000,000	
CR 3062 Prior Year Post Closing Adjustment		10,000,000

115. Now, assume the agency did not discover the error in time for SARS to update the CAFR. In this case, the correcting entry would be the same, except the agency would post the credit to GL account 3060 - Prior Period Adjustment.

116. For financial reporting, GL account 3062 - Prior Year Post Closing Adjustment is reported as part of beginning fund equity, while GL account 3060 - Prior Period Adjustment is reported on a separate line as an adjustment to beginning fund equity. Agencies should make post closing adjustments only as directed by SARS since not all errors reported to SARS are actually incorporated into the CAFR. SARS notifies agencies of required post closing adjustments following completion of the CAFR, typically in January or February.

Changes in Accounting Principles

117. Changes in accounting principles occur when:

a. The state implements a new accounting standard.
b. The state decides to use an alternative accounting principle permitted by generally accepted accounting principles because it believes that the principle is preferable to the one previously used.
c. The state changes its application of an accounting principle.

SARS reports changes in accounting principles as direct adjustments to beginning fund equity, similar to prior period adjustments.

118. Use the following transaction codes to record post-closing adjustments, prior period adjustments, and changes in accounting principles:

113 Prior period adjustment – revenue
114 Prior period adjustment – expenditure
119 Prior period adjustment – expenditure G38 (comptroller objects 6000-6200)
124 Prior period adjustment – transfers-in
125 Prior period adjustment – transfers-out

Disclosure Requirements

119. SARS discloses governmental fund balance information at the statewide level in the CAFR. Required fund balance disclosures include:

a. For committed fund balance:
   - The government's highest level of decision-making authority
   - The formal action that is required to be taken to establish, modify or rescind a fund balance commitment

b. For assigned fund balance:
   - The body or official authorized to assign amounts to a specific purpose
   - The policy established by the governing body granting that authorization

c. For all classifications of fund balance:
   - Whether restricted or unrestricted amounts have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available
   - Whether committed, assigned or unassigned amounts have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used

d. For nonspendable fund balance displayed in the aggregate on the face of the balance sheet:
   - The amount that is not in spendable form
   - The amount that is restricted permanently

e. For restricted, committed and assigned fund balance displayed in the aggregate on the face of the balance sheet:
   - Specific information about the purposes for which the fund balance is restricted, committed, and assigned

120. SARS discloses encumbrances as commitments of the state by major funds and nonmajor funds in the aggregate.

121. SARS also discloses the following required information:

a. The deficit fund balance or deficit net position of individual funds when the deficit is not visible on the face of the basic financial statements

b. The amount of the primary government's net position at the end of the reporting period that are restricted by enabling legislation, and

c. The amount and reason for significant prior period adjustments.

Appendix A
A Guide for Determining Fund Balance Classification
Under GASB Statement No. 54

GOVERNMENTAL FUNDS (other than GAAP General Fund 0001)

Step 1: Does this D23 fund close to one of the Governmental GAAP Funds listed below?

If the answer is **YES**, go to Step 2 to determine the appropriate fund balance category.

If the answer is **NO**, **STOP!** GASB Statement No. 54 does not apply.

0054	1103	1106	1109	1112	2002	3001
1101	1104	1107	1110	1113	2003	7505
1102	1105	1108	1111	2001	2005	

For GAAP Fund 0001, go directly to Step 7.

NONSPENDABLE FUND BALANCE

Step 2: Is the use of a resource in this fund limited because:

a. It is not in spendable form? For example: inventories, prepaid items, and long-term receivables (other than loans and advances).

b. Your agency is legally or contractually obligated to maintain the resource intact? For example: the corpus of a permanent fund.

If the answer to either question is **YES**, classify the related fund balance as ***nonspendable*** using the appropriate transaction codes. If the answer to both questions is **NO**, go to Step 3.

> **Caution:** Classify loans receivable and advances to other funds as nonspendable fund balance in the GAAP General Fund, unless the proceeds from collection are restricted, committed, or assigned to a specific purpose. In the other GAAP funds, the related fund balance must be classified as restricted, committed, or assigned as determined in Steps 3 through 6.
>
> **Caution:** If inventories include property held for resale and the proceeds from the sale are restricted, committed or assigned to a specific purpose, classify the related fund balance as restricted, committed or assigned rather than nonspendable.
>
> **Caution:** In permanent funds, consider whether additional fund balance should be reclassified to nonspendable. For example, if a portion of the earnings on the fund must be held in perpetuity, reclassify that portion of fund balance to nonspendable.

RESTRICTED FUND BALANCE

Step 3: If the answer to any question in this section is **YES**, classify the related fund balance as ***restricted***. Attach supporting documentation to the D23 Fund Profile form and maintain a copy for audit purposes. If the answer to all of the questions in this section is **NO**, go to Step 4.

a. ***G54 Code R1*** – Is your agency's use of a resource in this fund restricted to a ***specific purpose*** imposed by federal laws, federal regulations or federal grant agreements?

RESTRICTED FUND BALANCE
Step 3 (cont'd.)

b. ***G54 Code R2*** – Is your agency's use of a resource in this fund restricted to a specific purpose imposed by the Oregon Constitution? Examples include Common School Fund resources, lottery proceeds, and motor vehicle use/fuel taxes.

c. ***G54 Code R4*** – Is your agency's use of a resource in this fund restricted by the terms of a COP agreement, bond indenture, or state law to fund specific capital project(s)?

d. ***G54 Code R4*** – Is your agency's use of a resource in this fund restricted by debt covenants for the payment of debt service?

e. ***G54 Code R5*** – Is your agency's use of a resource in this fund restricted by conditions imposed by the donor?

Caution: *Specific purpose* means a purpose that is narrower than the "purpose of state government." For example, a law may specify that a resource must be used for education purposes or for an agency's general operations. In either case, use of the resource would be considered limited to a specific purpose.

Step 4: Is the restriction on your agency's use of a resource contained in legislation that also ***authorizes*** the state to assess, levy, charge, or collect the resource from external parties? Is the restriction on the use of the resource ***legally enforceable***?

If the answer to both questions is **YES**, classify the related fund balance as restricted by ***enabling legislation (G54 Code R3)***. Attach supporting documentation to the D23 Fund Profile form and maintain a copy for audit purposes. If the answer to either question is **NO**, go to Step 5.

Caution: *Legally enforceable* means that your agency can be compelled by an external party – such as citizens, public interest groups, or the judiciary – to use the resources as specified in the legislation.

Caution: Do not confuse enabling legislation (or laws) with the Oregon Revised Statutes. The Oregon Revised Statutes represent the codification of the bills passed by the Oregon Legislature and signed into law by the Governor. In addition, some agencies maintain their own historical files and records of the laws that pertain to their operations.

Caution: If the use of a resource is restricted both by the Oregon Constitution and the Oregon Revised Statutes, document only the restriction imposed by the Constitution because the Constitution takes precedence over any related legislation. For example, lottery funds should be considered restricted by the Constitution, even though the Oregon Revised Statutes may place additional constraints on their use.

COMMITTED FUND BALANCE

Step 5: Is the law that places limitations on the use of resources in this fund ***separate*** from the law authorizing the state to assess, levy, charge, or collect this resource? If the answer is **YES**, classify the related fund balance as ***committed (G54 Code C1)*.** Attach supporting documentation to the D23 Fund Profile form and maintain a copy for audit purposes. If no legislation has passed that legally commits the resources to a specific purpose, go to Step 6.

ASSIGNED FUND BALANCE

Step 6: ***Assigned fund balance (G54 Code A1)*** represents resources that are limited by the state's ***intent*** to use them for a specific purpose. Intent may be expressed by the governing body itself, another body (e.g., a budget committee), or a designated official.

These resources are neither restricted nor committed to a specific purpose by external parties (such as creditors, grantors, and donors), federal laws or regulations, state laws, or the Oregon Constitution. In general, assigned fund balance includes all remaining fund resources and is the residual classification in all governmental funds, except the General Fund.

GAAP General Fund 0001

Step 7: Unassigned fund balance is the residual classification in the General Fund.

a. If the appropriated fund on the D23 fund profile is 8800, classify the related fund balance as ***unassigned (G54 Code U1)***.

b. If the appropriated fund on the D23 fund profile is *not* 8800, classify the related fund balance as ***assigned (G54 Code A1).***

MORE THAN ONE FUND BALANCE CATEGORY APPLIES

Step 8: If more than one fund balance category applies to the resources accounted for in this D23 fund, select the category that comprises the majority of the resources for closing purposes. During Month 13, determine the proper allocation and reclassify to the other fund balance categories as needed using transaction codes 453 and 454.

<table>
<tr><td colspan="2">OREGON ACCOUNTING MANUAL</td><td>Number
15.90.00.PO</td></tr>
<tr><td>Oregon Department of
Administrative Services
State Controller's Division</td><td>Policy</td><td>Effective Date

July 1, 2001</td></tr>
<tr><td>Chapter</td><td>Accounting and Financial Reporting</td><td rowspan="2">.1 OF .1</td></tr>
<tr><td>Part</td><td>General Fund</td></tr>
<tr><td>Section</td><td></td><td>Approval

Signature on file at SCD</td></tr>
</table>

Authority **ORS 291.040**
ORS 291.100
ORS 293.105
ORS 293.450
ORS 293.455
ORS 293.590
ORS 314.515
ORS 314.518
NCGA Statement No. 1
GASB Statement No. 33
GASB Statement No. 34

Purpose and Scope

.101 This policy establishes how **general fund** transactions will be recorded and reported in accordance with **generally accepted accounting principles (GAAP)** in Oregon's **Comprehensive Annual Financial Report (CAFR)**.

.102 This policy applies to all agencies that have general fund **appropriations** and/or that collect and report general fund **revenues** (i.e., have D23 funds which point to GAAP fund 0001). Except for the sections related to reconciliation of Treasury fund 0401, it does not apply to other GAAP fund types even though they may have moneys on deposit in a Treasury account with a GF prefix. Moneys on deposit at Treasury in accounts with a GF prefix are defined as part of the legal general fund. The legal general fund encompasses any fund which statute defines as part of the general fund, regardless of Treasury fund or GAAP fund type.

Policy Standards

.103 General fund transactions will be accounted for using the modified accrual basis of accounting, which has a current financial resources measurement focus.

.104 All general fund **expenditures** will be recorded in **R*STARS** and shall not exceed legislatively approved appropriations in accordance with applicable statutes.

.105 All general fund revenue will be recorded in R*STARS, either at the time it is received, or at a summary level on at least a monthly basis.

.106 Agencies shall maintain general ledger accounts on R*STARS as needed to account for all transactions related to the general fund.

.107 Statewide Accounting and Reporting Services (SARS) will report the general fund in the State's Comprehensive Annual Financial Report (CAFR) in accordance with generally accepted accounting principles. The general fund is a major fund for reporting purposes and is reported in a separate column within the basic financial statements.

.108 General fund transactions will be presented in the **government-wide financial statements** using the accrual basis of accounting, which has an economic resources measurement focus. Agencies are responsible for using appropriate transaction codes to allow for reporting transactions both in the governmental fund financial statements and in the government-wide financial statements.

.109 For CAFR reporting purposes, reconciliation to the government-wide financial statements is required for the balance sheet and operating statement of governmental funds, which includes the general fund.

.110 The State Treasury shall maintain the legal general fund as required by statute.

.111 SFMS Operations in the State Controller's Division shall reconcile the R*STARS cash balance of fund 0401 to the Treasury cash balance in fund 0401.

<table>
<tr><td colspan="2">OREGON ACCOUNTING MANUAL

Oregon Department of Administrative Services
State Controller's Division   Procedure</td><td>Number
15.90.00.PR

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July 1, 2001</td></tr>
<tr><td>Chapter</td><td>Accounting and Financial Reporting</td><td rowspan="2">.1 OF .4</td></tr>
<tr><td>Part</td><td>General Fund</td></tr>
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Signature on file at SCD</td></tr>
</table>

Authority **ORS 291.040**
ORS 291.100
ORS 293.105
ORS 293.450
ORS 293.455
ORS 293.590
ORS 314.515
ORS 314.518
NCGA Statement No. 1
GASB Statement No. 33
GASB Statement No. 34

Expenditures

.101 Agencies shall use the following appropriated funds in **R*STARS** to record general fund expenditures:

8000 - General Fund Expenditures
8010 - General Fund Capital Improvements
8020 - General Fund Capital Construction
8030 - General Fund Debt Service

Only expenditures that have been legislatively appropriated shall be recorded in the above appropriated funds. Expenditures recorded as payments are made through warrants, transfers, ACH or wire transactions. When a payment is made, it results in a decrease to Cash, general ledger account 0070, and an offset to Expenditure Control-Cash, general ledger account 3500. Entries may post to other general ledger accounts depending on the transaction code used.

.102 At fiscal year end, SARS will report expenditures recorded in the general fund by GAAP function, in accordance with **generally accepted accounting principles (GAAP)**.

Revenues

.103 Agencies must record general fund revenues in R*STARS in appropriated fund 8800. General fund revenues are defined by statute and generally include the following: personal income tax, corporate income tax, excise tax, cigarette tax, insurance premium tax, inheritance and gift taxes, licenses and fees, and interest income. Revenues may be recorded on the cash basis during the year, but should be recorded on the modified accrual basis at fiscal year end. Derived tax revenues, including income taxes, net of estimated refunds and uncollectibles, shall be recognized in the accounting period in which they are susceptible to accrual. That is, when revenues are both measurable and available. See **OAM 15.35.00**, Revenues and Receivables, for revenue recognition criteria.

.104 Most agencies collecting general fund revenues will deposit monies into a fund (D23) that corresponds to a Treasury fund having a GF prefix (the legal general fund). Agencies that collect numerous payments may elect to deposit into a **suspense account** at Treasury and allocate, at least monthly, the balance in the suspense account to the appropriate funds within the agency. The revenue information in R*STARS will be relied upon by the Office of Economic Analysis to determine how much revenue was collected during a given month; thus, it must be correctly recorded by agencies by the accounting close of each month.

.105 The General Fund earns interest on cash invested in the Oregon Short Term Fund (which includes the local government investment pool accounts, suspense accounts, and receipted funds). Allocation of interest is based on actual daily balances in the accounts. Interest income earned by the General Fund is recorded in account 9990076015 at Treasury and reported to SFMS Operations each month. The monthly interest income in agency 999 (State General Fund) is posted to R*STARS by SFMS Operations staff in fund 7601, General Fund Interest Earnings, as follows:

T-code 190 using comptroller object 0820 Excess Fund Interest – Treasury:

DR 0065 Unreconciled Deposit	xxx	
CR 3100 Revenue Control – Cash		xxx

T-code 332 will be generated during deposit reconciliation:

DR 0070 Cash in Treasury	xxx	
CR 0065 Unreconciled Deposit		xxx

.106 SARS will report revenues recorded in appropriated fund 8800 in the general fund by revenue type in accordance with generally accepted accounting principles. SARS will rely on revenues recorded in agency 999 to report interest revenue (as Investment Income) in the general fund at fiscal year end.

General Ledger Accounts

.107 Agencies that collect general fund revenues and incur general fund expenditures shall maintain general ledger accounts appropriate for recording transactions. General ledger balances of the general fund that are not connected to a specific agency shall be maintained in agency 999 in R*STARS by SFMS Operations. For example, activity related to accrued interest receivable and advances from the general fund to other funds/agencies would be recorded in agency 999.

.108 General ledger account balances in the general fund shall be reported in the CAFR in accordance with GAAP.

.109 General fund cash at year end will consist of balances in the following R*STARS general ledger accounts:

0065 Unreconciled Deposit
0070 Cash on Deposit with Treasurer
0072 Cash on Hand
0075 Cash on Deposit - Suspense Account at Treasury

.110 Prior to the close of June (month 12), agencies with summary suspense accounts shall distribute cash balances to the appropriate D23 funds so that general fund cash is accurately reported.

Backup Withholding

.111 The inflows and outflows associated with backup withholding shall be recorded in R*STARS in agency 999. If a **vendor** is subject to backup withholding, it should be flagged. When a quarterly payment is made, the appropriate back-up withholding amount (currently 31 percent, to reduce to 30.5 percent on August 6, 2001) shall be diverted to agency 999 and remitted to the Internal Revenue Service (IRS). SFMS Operations staff shall record these transactions in agency 999, in D23 fund 9999, Backup Withholding.

Two-year Warrant Expirations

.112 Two-year warrant expirations that are general fund shall be processed through agency 999 in R*STARS using D23 fund 7704, which is tied to appropriated fund 8800, General Fund Revenue. These transactions are reported to the Division of State Lands by SFMS Operations and recorded as a deposit liability because the moneys associated with general fund two-year expired warrants remain in the general fund. Non-general fund warrants are expired through R*STARS, but are processed against the originating agency. The moneys associated with non-general fund expired warrants are transferred to the Division of State Lands by SFMS Operations.

Fiscal Year and End of Biennium Closing

.113 At the end of each fiscal year, nominal accounts (revenues, expenditures, transfers, and GAAP offsets) will be closed to appropriate equity accounts (depending on GAAP fund type) through the DAFM351 program in R*STARS. This program uses transaction codes 350 and 351 to close the general fund nominal accounts within each D23 fund to general ledger account 3020 Unreserved, Undesignated Fund Balance.

.114 The encumbrance lapse programs will not be run in R*STARS. The summary fiscal year end closing programs have not yet been developed in R*STARS. D23 funds in the general fund will continue to carry increasing credit balances of cash and debit fund balances (or debit cash and credit fund balance in the case of funds that collect revenue) until such time as the closing processes are implemented. Until closing processes are in place, the SFMS system will continue to retain all general fund D23 funds, even those belonging to defunct agencies, in order for SARS to have a complete picture of cash and fund balance for reporting purposes.

Financial Statement Reporting

.115 The GAAP general fund (in R*STARS) includes any D23 fund that is GAAP type 01 (general fund) and ties to Treasury fund 0401. The general fund will be reported as a major fund in the governmental funds financial statements, using the modified accrual basis of accounting. General fund transactions will be reported in the government-wide financial statements using the accrual basis of accounting. Agencies are responsible for using appropriate transaction codes in R*STARS to report transactions on both basis of accounting. In the government-wide reporting fund, agencies should record capital assets purchased with general fund resources as well as other assets and liabilities of a long-term nature (those not appropriately reported in the general fund).

.116 For financial reporting purposes, SARS will provide a reconciliation of the governmental funds balance sheet and operating statement to the government-wide financial statements based on transactions recorded in R*STARS.

Revenue Forecasts and Kicker Liability

.117 The Office of Economic Analysis forecasts general fund revenue on a quarterly basis, as part of the Oregon Economic and Revenue Forecast, which is used mainly for budgeting. Additionally, the Close of Session forecast is used as the basis for the kicker calculation and estimates of whether the kicker will "kick" are updated each quarter based on the latest forecast. The forecast includes all general fund revenue sources, although personal and corporate income taxes provide over 90 percent of the State's general fund revenue. Historical data for the forecast is obtained from R*STARS reports or the SCD Accounting Data Mart.

.118 If actual revenues exceed estimated revenues such that there is a kicker to be paid, the liability will be recorded in R*STARS by the Department of Revenue. The kicker will be treated as a reduction of revenue, with a debit to tax revenue (personal or corporate, as applicable) and a credit to accounts payable.

Reconciliation of Treasury Fund 0401

.119 Monthly, SFMS Operations shall prepare a reconciliation of the 0401 Treasury Fund cash balance to the 0401 portion of the 0070 general ledger cash balance in R*STARS. Outstanding reconciling items shall be researched and cleared on a statewide basis. Thus, agencies do not need to reconcile cash funds that are part of the 0401 Treasury Fund. However, agencies will need to work with SFMS Operations to clear general fund reconciling items in a timely manner.

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State Controller's Division
Policy</td><td>Number
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<tr><td>Chapter</td><td>Accounting and Financial Reporting</td><td rowspan="2">.1 OF .1</td></tr>
<tr><td>Part</td><td>Year End Closing and Statewide Reporting</td></tr>
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Signature on file at SCD</td></tr>
</table>

Authority **ORS 291.040**
ORS 293.600
GASB Statement No. 34

Purpose and Scope

.101 This policy establishes standards and requirements for fiscal year end closing and financial reporting for all state agencies that are part of the State's reporting entity. Statewide Accounting and Reporting Services (SARS) is responsible for overseeing the year end closing process on a statewide basis. SARS prepares a statewide financial report for the State in accordance with **generally accepted accounting principles (GAAP)**. This statewide financial report is published in the form of a **Comprehensive Annual Financial Report (CAFR)**. Agencies need to provide requested information for preparation of the CAFR, in the format and on the dates specified by SARS, to enable SARS to comply with the legal requirement for issuance of the CAFR within 180 days of the close of the fiscal year. The Secretary of State Audits Division is responsible for auditing the State's financial statements.

Policy Standards

.102 Management is responsible to ensure fiscal year end closing procedures will result in reporting agency financial information in conformity with generally accepted accounting principles. This includes adherence to accounting and reporting policies and procedures contained in the Oregon Accounting Manual. Adjustments made during the year end closing process will be supported by documentation and retained in accordance with the agency's records retention schedule.

.103 CAFR disclosure forms and other requested information are critical to the preparation of the notes to the State's financial statements. Each agency should complete the applicable disclosure forms and submit them to SARS by the scheduled due date. Agency management is responsible for the accuracy and completeness of their agency accounting records and the information provided for disclosure purposes.

.104 Agencies that do not maintain their accounting records on the **Statewide Financial Management System** shall provide copies of their financial statements, or equivalent data sufficient to prepare financial statements, to SARS for the statewide compilation process.

.105 Each agency will designate one person to be primarily responsible for the agency's fiscal year end closing and financial reporting. SARS maintains a statewide list of these CAFR contacts on the SCD website to facilitate communication between agencies.

.106 SARS will designate an analyst to provide assistance to the agency CAFR accountant with accounting and reporting issues.

OREGON ACCOUNTING MANUAL		Number 15.95.00.PR
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Section		Approval Signature on file at SCD

Authority **ORS 291.040**
ORS 293.600
GASB Statement No. 34

Statewide Financial Reporting

.101 The fiscal year end closing process culminates with the issuance of the State's **Comprehensive Annual Financial Report (CAFR)**. All agencies identified by **Statewide Accounting and Reporting Services (SARS)** as part of the State's reporting entity are included in the CAFR. This includes agencies who do not maintain their accounting records on **R*STARS**. SARS publishes the CAFR annually for the fiscal year ended June 30.

.102 Data from R*STARS, together with data from agencies not on R*STARS, is used to compile the statewide financial statements. Account balances as of the close of Month 13, modified by any required audit adjustments, are reported in the CAFR. During the compilation of the financial statements, SARS ensures that the State's financial position and results of operations are fairly presented in accordance with **generally accepted accounting principles (GAAP)**. SARS will combine the data in **governmental funds**, **internal service funds**, and the **government-wide reporting fund** in order to prepare the governmental activities column of the **government-wide financial statements**. Data in **enterprise funds** will be used to prepare the business-type activities column of the government-wide financial statements.

.103 Information that may be required for disclosure in the notes to the financial statements is obtained through year end disclosure forms. Agencies need to complete applicable disclosure forms and submit them to SARS within established timelines. A Certificate of Accuracy and Completeness, signed by the agency's chief fiscal officer, should accompany the disclosure forms. SARS relies upon agency disclosure information to compile required note disclosures.

.104 The CAFR will include an audit opinion as to whether the State's financial position and results of operations are fairly presented in accordance with GAAP. As the constitutional auditor of public accounts, the Secretary of State Audits Division conducts the statewide audit. The statewide audit is required to be a Single Audit in accordance with the Single Audit Act of 1984, as amended, because the State receives federal funds. The Audits Division selects certain accounts and federal programs to audit at specific agencies as part of the Single Audit.

.105 In order to comply with provisions of the Single Audit Act, SARS prepares a federal reporting package as required by **OMB Circular A-133** (refer to **OAM 30.10.00 PO** for more information). The reporting package is required to include a **Schedule of Expenditures of Federal Awards (SEFA)**. Each agency should complete the year end disclosure form on federal revenues and expenditures to determine if SEFA reporting is applicable to their agency. Agencies that receive federal funds, directly or indirectly, are required to provide information for the statewide SEFA. If applicable, agencies will submit pertinent information to SARS by the due date for inclusion in the SEFA.

Year End Closing Process

.106 The quality of the CAFR depends on the accuracy and completeness of year end closing activities. Year end financial statement adjustments and accruals are recorded in R*STARS in month 13, the last period of each fiscal year. Normally, cash transactions that occur during the year are posted prior to the close of month 12 (June). Agencies should maintain up-to-date accounting records during the year and use month 13 for adjustments needed for reporting in conformance with GAAP at year end. Agencies are responsible for selecting appropriate transaction codes to record transactions in R*STARS. The agency's assigned SARS and SFMS analysts are available to provide guidance when needed. Supporting documentation should be attached to month 13 transactions in the same manner as other accounting entries.

.107 Month 13 transactions must be recorded with an effective date of 06/31/YY (YY is the fiscal year), regardless of the document date. When recording entries in the second year of a biennium, care should be taken to ensure the transaction is posted to the proper appropriation year. After the system date changes (July 1), the appropriation year (AY) defaults to the *new* AY, not the AY that should be used in month 13.

.108 For most accruals recorded in month 13, reversing entries are generated automatically in R*STARS in July of the new fiscal year. This helps to ensure revenues and expenditures are not duplicated. When the actual payment is made or the income is received, it will be offset by the reversal. SARS recommends posting transaction codes that auto-reverse in month 13, rather than month 12, since it is cleaner for the audit process if all year end accruals are recorded in month 13.

.109 To facilitate year end closing, agencies are encouraged to use accounting estimates if actual accrual amounts are not available in a timely manner. Using estimates is an acceptable accounting practice, provided the basis on which the estimates are made is fundamentally sound, sufficiently documented, can be audited, and conforms with generally accepted accounting principles.

.110 During the year end closing process, agencies are responsible for ensuring transactions between agencies balance, as appropriate. This will ensure interfund transactions, as disclosed in the notes to the financial statements, balance on a statewide basis. For example, this would include transfers, loans between agencies, or year end accruals of interagency transactions. To facilitate communication between agencies, SARS maintains a statewide list of agency contacts. If the agency's CAFR contact changes, SARS should be notified to update the list.

.111 Some D23 funds are reported as GAAP fund 6406, Clearing Agency Fund. This means the fund is being used as a clearing account to distribute financial resources to other funds within the State (either other funds within the agency or funds in other state agencies). The clearing account balance should not be reported in agency funds. Rather, it should be reported as assets in the appropriate funds. Thus, agencies with D23 funds being reported as GAAP fund 6406 are required to distribute cash from the clearing account by the close of June. The cash balance in GAAP fund 6406 should be zero on a statewide basis by the close of June.

.112 SARS will provide a schedule of year end closing activities to agencies which will reflect the time frame necessary to prepare audited statewide financial statements by the statutorily required due date. Other guidance will be provided to agencies through the Agency Guide to Year Closing, maintained by SARS.

Post-Closing Adjustments

.113 On occasion, it may be necessary to post adjustments to the statewide financial statements that were not discovered until after the close of month 13. These adjustments may be identified by the agency, by SARS, or proposed as audit adjustments by the Audits Division. Agencies should coordinate post-closing adjustments with SARS and the Audits Division, if applicable. Post-closing adjustments must be significant in amount. When adjustments are made to the CAFR balances, agencies should follow-up by recording a post-closing entry in the subsequent fiscal year. These are not prior period adjustments. They are adjustments to bring R*STARS balances in agreement with balances reported in the CAFR. Agencies should strive to post all necessary year end adjustments during month 13 to alleviate the need for post-closing adjustments.

Subsequent Open Accounting Months

.114 The time necessary to complete the year end closing will require subsequent fiscal periods (e.g., July, August, September) to remain open on a statewide basis until year end accounting adjustments are recorded and the ending fiscal year is closed. R*STARS agencies may close completed fiscal periods on an agency basis, while the statewide closing of a fiscal period may occur at a later date.

Requirements for Agency Financial Statements

.115 Agencies are not required to submit annual financial statements to SARS unless specifically required by statute or by the federal government, as a condition to receive funds from an entity external to the State, or by the direction of SARS.

.116 For those agencies that issue annual audited financial statements, the information in the agency issued financial statements must agree with CAFR reported balances, if that agency's information is presented discretely in the CAFR. In this case, agencies are required to submit one copy of their financial statements to SARS for inclusion in and agreement with the CAFR.

.117 Agencies that do not maintain their accounting records on R*STARS will provide copies of their financial statements, or equivalent data sufficient to prepare financial statements, to SARS for the statewide compilation process.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT:	Accounting and Reporting	**Number:**	15.97.00
DIVISION:	Chief Financial Office	**Effective date**:	July 1, 2012
Chapter:	Accounting and Financial Reporting		
Part:	Agency Financial Reporting		
Section:			
APPROVED:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy provides guidance on financial reporting for agencies who prepare annual financial statements, either audited or unaudited. Agencies that choose to prepare a full **Comprehensive Annual Financial Report (CAFR)** for their agency should seek guidance, as needed, from Statewide Accounting and Reporting Services (SARS) in addition to adhering to this policy

AUTHORITY:
ORS 293.590
ORS 291.015
ORS 291.040
ORS 293.590
ORS 293.600

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. Agencies are not required to submit annual financial statements to SARS unless specifically required by statute, by the federal government, or by SARS.

102. Agencies that issue audited financial statements will work with SARS to ensure that the total Net Position reported in agency issued financial statements agrees with the total Net Position reported in the State's CAFR, if that agency's information is presented discretely (in a separate column) in the CAFR Basic Financial Statements. As requested by SARS, agencies should send a copy of annual audited financial statements (both draft and final) to SARS for coordination of CAFR reported amounts. Agencies are not required to include a Management's Discussion and Analysis (MD&A) with agency audited financial statements; however, they may choose to include an MD&A. The only time an agency is required to include an MD&A with agency audited financial statements is when an agency publishes a full CAFR (rather than just financial statements). For guidance on the required elements of an MD&A, contact your SARS analyst.

103. Some agencies may choose to issue agency financial statements, even though they are not required to do so. If an agency chooses to issue (unaudited) agency financial statements, the financial statements and accompanying note disclosures must be in conformance with **generally accepted accounting principles (GAAP)**. Agency management is responsible to

ensure the presentation of the agency's financial position and results of operations are in accordance with current GAAP.

104. Agencies are not required, nor are they permitted, to prepare or issue **government-wide financial statements** (either audited or unaudited). Government-wide financial statements, which include a Statement of Net Position and a Statement of Activities, present the State of Oregon government as a whole and are therefore not applicable to an individual agency.

105. The fiscal year end for state agencies that are part of the State's primary government is June 30.

PROCEDURE:

Reporting Account Balances

106. Account balances reported in agency financial statements must be derived from and agree to balances in the **Relational Statewide Accounting & Reporting System (R*STARS)**, or the agency's accounting system for those agencies that do not maintain their accounting records on R*STARS. Agencies that interface data from their own subsystem(s) into R*STARS are considered agencies that maintain their accounting records on R*STARS.

107. For agencies on R*STARS, month 13 should be used to record entries necessary to present the agencies' data in conformance with If agencies discover errors or omissions after month 13 closes, agencies should notify **Statewide Accounting and Reporting Services (SARS)**.

108. SARS recommends the use of GAAP-level reporting profiles in R*STARS to assist with preparation of agency financial statements. For general ledger accounts, this is the D14 profile. For object accounts, it is the D08 profile. Use the GAAP fund profile (D24) to report columns within the financial statements. SARS encourages use of the Accounting DataMart to facilitate the efficient gathering of electronic data.

GAAP Fund Financial Statements

109. Agency financial statements should report financial activity for governmental, proprietary, and fiduciary funds separately using the appropriate basis of accounting (i.e., modified accrual or full accrual) and measurement focus (i.e., current financial resources or economic resources). Use of the appropriate transaction codes and account profiles in R*STARS will facilitate this separate reporting. When preparing financial statements, agencies should refer to other parts within Chapter 15 of the OAM for specific reporting and disclosure requirements as well as recognition criteria.

110. Financial statements for **governmental funds** include:

   a. Balance Sheet
   b. Statement of Revenues, Expenditures and Changes in Fund Balances

111. Financial statements for **proprietary funds** include:

   a. Statement of Net Position
   b. Statement of Revenues, Expenses and Changes in Fund Net Position
   c. Statement of Cash Flows

112. Financial statements for **fiduciary funds** include:

a. Statement of Fiduciary Net Position
b. Statement of Changes in Fiduciary Net Position

113. The Statement of Net Position for proprietary funds should present assets, deferred outflows, liabilities, and deferred inflows using the classified format; that is, report the current and noncurrent portion of assets and liabilities, and the deferred accounts, separately. General ledger account profiles exist in R*STARS to accommodate this distinct reporting. The statement must also present **restricted assets** as such on the face of the statement.

114. The Statement of Revenues, Expenses and Changes in Fund Net Position must distinguish between **operating revenues** and **nonoperating revenues** as well as **operating expenses** and **nonoperating expenses** (see **OAM 15.35.00** and **OAM 15.40.00 PR** for guidance on the distinction between operating and nonoperating).

115. The Statement of Cash Flows for proprietary funds must present cash flows using the direct (rather than the indirect) method.

Illustrative GAAP Fund Financial Statements

116. Illustrative fund financial statements for governmental funds and for proprietary funds are included in this procedure (see pages 6 through 10). These financial statements demonstrate the format of required GAAP statements to assist agencies that prepare financial statements. The sample statements are for illustration only and do not contain all line item titles that may be applicable to various agencies. The illustrative Statement of Cash Flows does not include a section for Cash Flows from Capital and Related Financing Activities. Financial statements for fiduciary funds are not illustrated. For additional guidance, contact your agency's SARS analyst.

GAAP Note Disclosures

117. Agencies must consider which of the topics listed below are applicable to their financial statements for the fiscal year they are reporting and include note disclosures as appropriate (the SARS analyst for each agency is available to provide specific guidance on content requirements). Since the Governmental Accounting Standards Board periodically changes note disclosure requirements, SARS recommends that agencies that prepare GAAP financial statements contact their SARS analyst to ensure they consider all applicable disclosures. The following outline is a recommended organization for note disclosures; however, agencies may organize the information differently, provided the content is complete:

1. Summary of Significant Accounting Policies
   A. Reporting Entity
   B. Fund Financial Statements
   C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
   D. Deposits and Investments
   E. Receivables and Payables
   F. Intrafund Transactions
   G. Inventories
   H. Prepaid Items
   I. Restricted Assets
   J. Foreclosed and Deeded Properties
   K. Receivership Assets
   L. Capital Assets
   M. Compensated Absences

N. Long-term Obligations
O. Fund Equity
P. Changes in Accounting Principle

2. Deposits and Investments
   A. Deposits
   B. Investments
   C. Securities Lending
   D. Restricted Assets
3. Derivatives
4. Receivables and Payables
   A. Receivables
   B. Payables
5. Joint Ventures
6. Capital Assets (including construction commitments and collections not capitalized)
7. Leases
   A. Operating Leases
   B. Capital Leases
   C. Lease Receivables
8. Donor-Restricted Endowments
9. Short and Long-term Debt
   A. TANS, Lines of Credit, etc.
   B. General Obligation Bonds
   C. Revenue Bonds
   D. Certificates of Participation
   E. General Appropriation Bonds
   F. Changes in Long-term Debt
   G. Demand Bonds
   H. No-Commitment Debt
   I. Debt Refundings
   J. Defeased Debt
10. Other Long-term Liabilities
    A. Changes in Long-term Liabilities
    B. Arbitrage Rebate Liability
11. Pollution Remediation Obligation
12. Pledged Revenues
13. Interfund Transactions
14. Segment Information
15. Employee Retirement Plans
16. Other Postemployment Benefits
17. Deferred Compensation Plans
18. Termination Benefits
19. Risk Financing
20. Discounts and Allowances in Proprietary Funds
21. Fund Equity
22. Commitments
23. Contingencies
24. Subsequent Events
    A. Long-term Debt Issues
    B. Bond Calls
    C. Refundings
    D. Debt Guarantees
25. Extraordinary and Special Items

Budgetary Financial Reporting

118. At their discretion, agencies may prepare agency budgetary schedules (see paragraph 120 for proper title and format). Budgetary schedules report financial activity separately for general funds, federal funds, other funds, and lottery funds using the budgetary basis of accounting (i.e., cash plus encumbrances). Use of the appropriate transaction codes and account profiles in R*STARS will facilitate this separate reporting. When preparing budgetary schedules, agencies should refer to Chapter 20 of the OAM for specific budgetary reporting requirements as well as recognition criteria.

119. SARS recommends the use of budgetary reporting profiles in R*STARS to assist with preparation of agency budgetary schedules. Use the appropriated fund profile (D22) to report activity within the schedules; do not include appropriated funds that are non-limited or non-budgeted in budgetary reporting schedules. As an alternative to reporting by appropriated fund, combine similar appropriated fund data by funding source (i.e., general, federal, other, or lottery funds). Use of the Accounting DataMart may facilitate the efficient gathering of electronic data.

120. The appropriate title for a budget to actual comparison is "Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary (Non-GAAP) Basis – All Budgeted Appropriated Funds". This schedule should present comparisons of the legislatively **approved budget** with actual data on the budgetary basis. The schedule reports budgeted amounts separately for the original budget and the final budget. The original budget is the legally **adopted budget** that resulted from the regular legislative session. Budgeted revenues should represent original estimates, while budgeted expenditures should represent original appropriations. The final budget is the legally approved budget, which is the adopted budget adjusted for any e-board actions or other legislative changes. The schedule should report estimated revenues by revenue source, while it should report budgeted expenditures by category (i.e., personal services, services and supplies, special payments, etc.). Actual revenues should represent cash revenues, while actual expenditures should include both cash expenditures and encumbrances.

Reconciliation Between Budgetary and GAAP Reporting

121. When agencies present both GAAP financial statements and non-GAAP budgetary schedules, agencies should also present a reconciliation between the two reports. The notes to the required supplementary information should include an explanation of the differences between revenues and expenditures, on the budgetary basis and on the GAAP basis. This is not applicable to agencies that do not prepare budgetary schedules (as described in 120).

Budgetary Disclosures

122. If a Management's Discussion and Analysis accompanies the agency's financial statements, it must include an analysis of significant variations between the original and final budget amounts, as well as between final budget and actual amounts for the general fund.

123. Since a budgetary schedule (as described in 120) will not demonstrate compliance at the legal level of budgetary control (that is, at the appropriation level), agencies should disclose how to obtain a copy of the State's Budgetary Statement of Legal Compliance that is published annually. This is not applicable to agencies that do not prepare budgetary schedules (as described in 120).

Illustrative Fund Financial Statement for Governmental Funds

Oregon Department of XXXXXXX
Balance Sheet
Governmental Funds
June 30, 20XX

	General	Environmental Management	General Obligation Bond	Total Governmental Funds
Assets				
Cash and Cash Equivalents	$ -	$ 90,653,924	$ 3,324,442	$ 93,978,366
Investments	-	-	1,203,000	1,203,000
Accounts and Interest Receivable (net)	215,532	7,447,982	16,310	7,679,824
Due from Other Funds	340,686	1,199,841	-	1,540,527
Due from Other Governments	-	445,301	-	445,301
Inventories	269,088	1,098,862	-	1,367,950
Prepaid Items	-	81,620	-	81,620
Net Contracts and Other Receivables	-	910,861	-	910,861
Loans Receivable	-	248,360,516	-	248,360,516
Total Assets	$ 825,306	$ 350,198,907	$ 4,543,752	$ 355,567,965
Liabilities and Fund Balances				
Liabilities:				
Accounts and Interest Payable	$ 296,259	$ 4,144,422	$ 26	$ 4,440,707
Due to Other Funds	259,203	1,221,446	-	1,480,649
Due to Other Governments	-	159,542	-	159,542
Matured Bonds Payable	-	-	112,378	112,378
Custodial Liabilities	-	622,050	-	622,050
Deferred Revenue	-	910,861	-	910,861
Total Liabilities	555,462	7,058,321	112,404	7,726,187
Fund Balances:				
Nonspendable-Inventory	269,088	1,098,862	-	1,367,950
Nonspendable-Prepaid Items	-	81,620	-	81,620
Restricted for Natural Resource Programs	-	341,554,332	-	341,554,332
Restricted for Debt Service	-	-	4,431,348	4,431,348
Committed	-	400,535	-	400,535
Assigned	-	5,237	-	5,237
Unassigned	756	-	-	756
Total Fund Balances	269,844	343,140,586	4,431,348	347,841,778
Total Liabilities and Fund Balances	$ 825,306	$ 350,198,907	$ 4,543,752	$ 355,567,965

The notes to the financial statements are an integral part of this statement.

This sample financial statement is for illustrative purposes only. Fund and line item titles will vary by agency.

Illustrative Fund Financial Statement for Governmental Funds

Oregon Department of XXXXXXX
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 20XX

	General	Environmental Management	General Obligation Bond	Total Governmental Funds
Revenues:				
Licenses and Fees	$ -	$ 30,702,879	$ -	$ 30,702,879
Federal	-	32,107,318	-	32,107,318
Charges for Services	-	5,130,968	-	5,130,968
Fines and Forfeitures	1,031,355	107,824	-	1,139,179
Investment Income	-	13,593,988	168,404	13,762,392
Total Revenues	1,031,355	81,642,977	168,404	82,842,736
Expenditures:				
Personal Services	10,433,620	39,229,930	-	49,663,550
Services and Supplies	3,073,096	20,828,502	-	23,901,598
Special Payments	70,554	2,479,137	-	2,549,691
Capital Outlay	248,337	1,164,629	-	1,412,966
Debt Service:				
Principal – Bonds	4,390,000	-	1,865,000	6,255,000
Interest – Bonds	3,051,295	-	147,243	3,198,538
Other Debt Service	-	-	72,066	72,066
Total Expenditures	21,266,902	63,702,198	2,084,309	87,053,409
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,235,547)	17,940,779	(1,915,905)	(4,210,673)
Other Financing Sources (Uses):				
Transfers from Other Funds	21,266,902	19,914,549	-	41,181,451
Transfers to Other Funds	(1,031,355)	(16,282,747)	(115,641)	(17,429,743)
Total Other Financing Sources (Uses)	20,235,547	3,631,802	(115,641)	23,751,708
Net Change in Fund Balances	-	21,572,581	(2,031,546)	19,541,035
Fund Balances – Beginning	315,764	321,584,887	6,462,894	328,363,545
Change in Inventories	(45,920)	(16,882)	-	(62,802)
Fund Balances – Ending	$ 269,844	$ 343,140,586	$ 4,431,348	$ 347,841,778

The notes to the financial statements are an integral part of this statement.

This sample financial statement is for illustrative purposes only. Fund and line item titles will vary by agency.

Illustrative Fund Financial Statement for Proprietary Funds

Oregon Department of XXXXXXX
Statement of Net Position
Enterprise Funds
June 30, 20XX

	Loan Fund A	Loan Fund B	Total
Assets and Deferred Outflows			
Current Assets:			
Cash and Cash Equivalents	$ 859,768	$ 3,678,076	$ 4,537,844
Cash and Cash Equivalents – Restricted	32,458,520	89,218	32,547,738
Investments	460,229	-	460,229
Accounts and Interest Receivable (net)	828,199	26,093	854,292
Total Current Assets	34,606,716	3,793,387	38,400,103
Noncurrent Assets:			
Cash and Cash Equivalents – Restricted	41,638,244	-	41,638,244
Investments-Restricted	221,595	92,723	314,318
Deferred Charges	455,184	-	455,184
Loans Receivable	129,720,494	906,923	130,627,417
Total Noncurrent Assets	172,035,517	999,646	173,035,163
Deferred Outflows	25,409	-	25,409
Total Assets and Deferred Outflows	$ 206,667,642	$ 4,793,033	$ 211,460,675
Liabilities and Deferred Inflows			
Current Liabilities:			
Accounts and Interest Payable	$ 4,350,883	$ 32,010	$ 4,382,893
Matured Bonds Payable	106,275	89,218	195,493
Bonds Payable	34,655,000	386,000	35,041,000
Deferred Revenue	3,051	-	3,051
Compensated Absences Payable	48,461	-	48,461
Total Current Liabilities	39,163,670	507,228	39,670,898
Noncurrent Liabilities:			
Bonds Payable	148,179,376	2,047,517	150,226,893
Arbitrage Rebate Payable	219,451	-	219,451
Custodial Liabilities	3,425,070	-	3,425,070
Compensated Absences	253		253
Total Noncurrent Liabilities	151,824,150	2,047,517	153,871,667
Deferred Inflows	-	147	147
Total Liabilities and Deferred Inflows	190,987,820	2,554,892	193,542,712
Net Position:			
Restricted for Debt Service	1,209,526	-	1,209,526
Unrestricted	14,470,296	2,238,141	16,708,437
Total Net Position	$ 15,679,822	$ 2,238,141	$17,917,963

The notes to the financial statements are an integral part of this statement.

This sample financial statement is for illustrative purposes only. Fund and line item titles will vary by agency.

Illustrative Fund Financial Statement for Proprietary Funds

Oregon Department of XXXXXXX
Statement of Revenues, Expenses and Changes in Fund Net Position
Enterprise Funds
For the Year Ended June 30, 20XX

	Loan Fund A	Loan Fund B	Total
Operating Revenues:			
Licenses and Fees	$ 277,441	$ 428	$ 277,869
Charges for Services	262,347	1,908	264,255
Fines and Forfeitures	344,488	-	344,488
Loan Interest Income	9,320,265	97,466	9,417,731
Other	12,514	-	12,514
Total Operating Revenues	10,217,055	99,802	10,316,857
Operating Expenses:			
Salaries and Wages	730,223	49,746	779,969
Services and Supplies	495,906	28,565	524,471
Bond and COP Interest	8,343,037	180,354	8,523,391
Other Debt Service	8,309	-	8,309
Bad Debt Expense	177,601	-	177,601
Total Operating Expenses	9,755,076	258,665	10,013,741
Operating Income (Loss)	461,979	(158,863)	303,116
Nonoperating Revenues (Expenses)			
Investment Income (Loss)	1,378,919	77,200	1,456,119
Other Nonoperating Items	(79)	(34)	(113)
Total Nonoperating Revenues (Expenses)	1,378,840	77,166	1,456,006
Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers	1,840,819	(81,697)	1,759,122
Transfers from Other Funds	-	550,000	550,000
Change in Net Assets	1,840,819	468,303	2,309,122
Net Assets – Beginning	13,839,003	1,769,838	15,608,841
Net Assets – Ending	$ 15,679,822	$ 2,238,141	$ 17,917,963

The notes to the financial statements are an integral part of this statement.

This sample financial statement is for illustrative purposes only. Fund and line item titles will vary by agency.

Illustrative Fund Financial Statement for Proprietary Funds

Oregon Department of XXXXXXX
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 20XX

	Loan Fund A	Loan Fund B	Total
Cash Flows from Operating Activities:			
Receipts from Customers	$ 970,532	$ 3,109	$ 973,641
Loan Principal Repayments	26,215,654	116,859	26,332,513
Loan Interest Received	9,157,493	1,565	9,159,058
Loans Made	(15,009,784)	-	(15,009,784)
Payments to Employees for Services	(730,738)	-	(730,738)
Payments to Suppliers	(418,467)	-	(418,467)
Payments to Other Funds for Services	(85,254)	-	(85,254)
Other Receipts (Payments)	(72,282)	(82,345)	(154,627)
Net Cash Provided (Used) in Operating Activities	20,027,154	39,188	20,066,342
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bonds/COP Sales	27,917,977	-	27,917,977
Principal Payments on Bonds/COPS	(14,005,300)	(365,077)	(14,370,377)
Interest Payments on Bonds/COPS	(8,749,948)	(176,831)	(8,926,779)
Bond/COP Issuance Costs	(94,450)	-	(94,450)
Transfers from Other Funds	-	550,000	550,000
Net Cash Provided (Used) in Noncapital Financing Activities	5,068,279	8,092	5,076,371
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments	342,793	-	342,793
Interest on Investments and Cash Balances	1,305,783	190,585	1,496,368
Net Cash Provided (Used) in Investing Activities	1,648,576	190,585	1,839,161
Net Increase (Decrease) in Cash and Cash Equivalents	26,744,009	237,865	26,981,874
Cash and Cash Equivalents – Beginning	48,212,523	3,529,429	51,741,952
Cash and Cash Equivalents – Ending	$ 74,956,532	$ 3,767,294	$ 78,723,826
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating Income (Loss)	$ 461,979	$ (158,863)	$ 303,116
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Amortization of Bond/COP Premium and Discount	328,226	-	328,226
Bad Debt Expense	177,601	-	177,601
Interest Payments Reported as Operating Expense	8,749,948	154,329	8,904,277
Bond/COP Issuance Costs Reported as Operating Expense	8,158	-	8,158
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable	97,384	1,773	99,157
Loans Receivable	10,030,584	76,859	10,107,443
Accounts and Interest Payable	257,460	(7,996)	249,464
Custodial Liabilities	(83,410)	(20,756)	(104,166)
Compensated Absences Payable	(776)	(6,158)	(6,934)
Total Adjustments	19,565,175	198,051	19,763,226
Net Cash Provided (Used) by Operating Activities	$ 20,027,154	$ 39,188	$ 20,066,342

The notes to the financial statements are an integral part of this statement.

This sample financial statement is for illustrative purposes only. Fund and line item titles will vary by agency.

<table>
<tr><td colspan="2">OREGON ACCOUNTING MANUAL</td><td>Number
20.10.00</td></tr>
<tr><td>Oregon Department of
Administrative Services
State Controller's Division</td><td>Policy</td><td>Effective Date

October 1, 2004</td></tr>
<tr><td>Chapter</td><td>Budgetary Accounting and Reporting</td><td rowspan="2">.1 OF .3</td></tr>
<tr><td>Part</td><td>Budget Adoption and Reporting</td></tr>
<tr><td>Section</td><td></td><td>Approval

Signature on file at SCD</td></tr>
</table>

Authority: **ORS 291.015**
ORS 291.040
ORS 291.202-291.226
ORS 293.075
ORS 293.190
NCGA Statement No. 1
NCGA Interpretation No. 10
GASB Statement No. 34

Budget Adoption

.101 Budgeting is an essential element of financial planning, control, and evaluation. Formal budgetary accounting is a management control technique employed to assist in controlling expenditures and in enforcing revenue restrictions. The biennial operating budget is the legal compliance standard against which operations are evaluated.

.102 The biennial budget approved by the Legislature and budget actions approved by the Emergency Board must be formally recorded in the accounting records of each agency. Budgetary accounting procedures have no effect on the financial position of a fund or on the changes in its fund balance (financial position).

.103 The State’s budget is approved on a biennial basis, where the biennium begins July 1 and ends June 30 of each odd-numbered year. The Governor is required to submit budget recommendations to the Legislature no later than December 1 preceding the biennium.

.104 The budget is developed based on functional priorities (i.e. Education, Human Resources, etc.) established by the Governor. The budget is summarized by these functions. Expenditures are budgeted based on one of four revenue sources: general, federal, lottery, and other. **Appropriations** are the legislatively granted authority to make expenditures and to incur obligations for specific purposes from general fund moneys. Expenditure **limitations** are the maximum amount an agency may expend from non-general fund moneys.

.105 The budget is adopted by the Legislature's passage of separate appropriation bills and by the Governor's approval of those bills. The resulting approved appropriation bills become the appropriated budget for the State. Appropriation bills may include one or more appropriations and/or expenditure limitations which may be at the agency, program, or activity level. Appropriations and expenditure limitations represent the legal level of control against which budgetary compliance is measured.

.106 The Oregon Constitution requires the budget to be in balance at the end of each biennium. Because of this provision, the State may not budget a deficit and is required to alleviate any revenue shortfalls within each biennium. Each agency is responsible to develop its budget proposal for the Governor's approval and to comply with the final budget adopted by the Legislature.

.107 During the interim period when the Legislature is not in session, the Legislative Emergency Board is authorized to amend the legally **adopted budget**. It authorizes and allocates all changes in funding and takes other actions to meet emergency needs when the Legislature is not in session. Emergency Board approval is required to authorize the transfer of expenditure authority between appropriations. Management may reallocate within an appropriation without Emergency Board approval.

Other Financial Management

.108 Also included in the Governor's budget recommendations are legally authorized, nonappropriated budget items that are not legislatively limited by an appropriation bill. Spending plans for nonbudgeted financial activities, which are not included in the Governor's budget recommendations, are also established by agencies for certain expenditures to enhance fiscal control.

Expenditure Limitations and Appropriations

.109 Agencies are required to record expenditure limitations and appropriations in the Oregon Budget Information Tracking System (ORBITS). Limitation and appropriation amounts are subject to review and audit by the Statewide Audit and Budget Reporting (SABR) section. The SABR section enters limitations and appropriations into the Relational Statewide Accounting and Reporting System (**R*STARS**). Agencies are responsible for ensuring that budget amounts recorded in ORBITS and R*STARS are accurate. Changes to the legislatively adopted budget amounts are also recorded in R*STARS. Expenditure budget amounts in R*STARS are used at the statewide level to compile budgetary reports for publication in the State's **Comprehensive Annual Financial Report (CAFR)**.

Estimated Revenues

.110 Agencies are required to record in ORBITS estimates of expected revenues for all funding sources (general, federal, lottery, and other). Estimated revenue data in ORBITS is used at the statewide level to compile budgetary reports for publication in the State's Comprehensive Annual Financial Report (CAFR). Thus, it is important that estimated revenues be reasonable, meaningful, and based on sound assumptions.

.111 When revenues are estimated for budget preparation, estimates should reflect what is expected to be received on the cash basis during the biennium. This will provide consistency and comparibility between estimated revenues and recognition of actual revenues during a given biennium.

Budgetary Control

.112 The R*STARS controls expenditures against budgets as established in approved appropriation bills. Each item on an approved appropriation bill is assigned an appropriation number. Expenditures may not exceed appropriations. In R*STARS, appropriated funds are tied to one or more appropriation numbers to ensure that appropriated expenditure amounts are not exceeded.

.113 Encumbrance accounting is used for additional budgetary control. Encumbrances represent commitments related to unperformed contracts for goods or services. Under budgetary reporting, encumbrances are treated like expenditures and are shown as a reduction of fund balance. For GAAP reporting, encumbrances outstanding at year end expected to be honored in the following fiscal year are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Cancellation of Budget Authority

.114 Unexpended appropriations at the end of each biennium are available for subsequent expenditure to the extent that liabilities have been incurred at June 30, provided payment of liabilities is made during the succeeding six month period of July 1 through December 31. If an obligation represents an encumbrance on June 30 at the end of a biennium (rather than a liability), the obligation cannot be paid from the biennium ended June 30. Furthermore, the encumbrance must be canceled and re-established in the new biennium by the close of month 13. Any remaining unexpended appropriations lapse December 31 following the end of the biennium, except for appropriations related to capital construction.

Budgetary Reporting

.115 Statewide Accounting and Reporting Services (**SARS**) extracts appropriation information from R*STARS for budgetary financial reporting. The Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Budgetary (Non-GAAP) Basis – All Budgeted Appropriated Funds in the CAFR present comparisons of the legislatively **approved budget** with actual data on the budgetary basis. The original budget, as reported in this schedule, represents the budget enacted into law by the legislature while the legislature was in session (legislatively **adopted budget**). Budgeted revenues represent original estimates, while budgeted expenditures represent original appropriations. The final budget is the original budget plus any changes approved by the Emergency Board or changes made in special sessions of the legislature (legislatively approved budget). Estimated revenues are reported by revenue source and appropriated fund. Budgeted expenditures are reported by appropriated fund and function and will agree to the total adjusted legislatively approved budget. Actual revenues are cash revenues, while actual expenditures include both cash expenditures and encumbrances.

.116 An analysis of significant variations between the original and final budget amounts, as well as between final budget and actual amounts for the general fund must be disclosed in the CAFR.

.117 Differences between revenues and expenditures as they are presented on the budgetary basis and as they are presented on the GAAP basis are explained in the notes to required supplementary information in the CAFR.

.118 To demonstrate legal compliance with the various legislatively approved levels of budgetary control, the State prepares a separate Budgetary Statement of Legal Compliance report for each year of the biennium as of June 30.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT:	Accounting and Reporting	**Number:** 20.20.00
DIVISION:	Chief Financial Office	**Effective date:** July 1, 2012
Chapter:	Budgetary Accounting and Reporting	
Part:	Encumbrances	
Section:		
APPROVED:	George Naughton, Chief Financial Officer	Signature on file

PURPOSE: This policy provides guidance on accounting and financial reporting for encumbrances.

AUTHORITY:
ORS 293.590
ORS 291.015
ORS 293.075
NCGA Statement No. 1
GASB Statement No. 54

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.

DEFINITIONS: A **pre-encumbrance** represents intent to purchase goods or services.

An **encumbrance** represents a formal commitment to purchase goods or services within the current biennium.

POLICY:

101. Agency management must ensure the proper accounting and reporting of encumbrances.

102. Except as noted in 103 through 106, agencies may record pre-encumbrances and encumbrances. The original recording of a pre-encumbrance or an encumbrance may be an estimated amount, which can differ from the eventual actual cost.

103. Agencies must not encumber transactions resulting in charges to the following expenditure categories:

- salaries and wages
- reimbursements
- interagency charges
- special payments
- debt service
- lease payments (unless payments are in arrears)

104. Agencies must not encumber biennial or annual expenditures (such as rent, utilities, or any other recurring expenditures) in advance. Record these on a monthly basis in the month that the expenditure actually occurs.

105. Pre-encumbrance or encumbrance of the following types of transactions is not required:

- Purchases of goods or services that do not require a purchase order, signed contract, or other related legal commitment

- Planned and consummated spending commitments when the total purchase is less than $5,000. However, agencies may at their discretion pre-encumber or encumber spending commitments which amount to less than $5,000.

106. Agencies must not encumber contracts associated with grants, loans, leases, or capital construction. Disclose these as commitments in the notes to the financial statements. See OAM 15.80.00 for more information on commitments. Use professional judgment in considering whether to encumber certain other long-term contracts that extend well beyond the length of an individual biennium.

107. Transactions entered in the Relational Statewide Accounting and Reporting System (**R*STARS**) may or may not affect data on the appropriation table based on the transaction code used. Budgetary controls use the balances on the appropriation table to determine whether budgets are exceeded, therefore, agency accounting personnel must be alert to how accruals and encumbrances are posted in the R*STARS financial tables.

PROCEDURES:

108. Generally, the statewide spending process, including encumbrance accounting, involves these steps:

a. Establish spending plans and establish expenditure appropriation accounts upon approval of budgets.

b. Issue purchase requisitions to initiate plans to incur expenditures and **record pre-encumbrances**.

c. Issue purchase orders and authorize contracts to commit to incur expenditures, **liquidate pre-encumbrances and record encumbrances**. Report remaining appropriation balances net of encumbrances.

d. Record actual expenditures and related liabilities, and **liquidate encumbrances** after the completion of services or the receipt of goods. Report remaining appropriation balances net of expenditures.

e. Pay vendors and liquidate related liabilities.

109. Agencies may record pre-encumbrances for larger purchases that will remain outstanding for a relatively long period. Record pre-encumbrances only after a signed purchase requisition is in place to formalize the plan to commit to purchase goods or services.

110. If a purchase requisition is not required, as in the case of a personal services contract, record an encumbrance as the original entry. However, agencies may record a pre-encumbrance even though a purchase requisition was not required.

111. When encumbrance accounting is used, record an encumbrance after issuing a purchase order or signing a contract for the purchase of goods or services.

112. Record encumbrances in R*STARS using t-code 204 if the item was previously pre-encumbered, and t-code 203 if it was not. T-code 204 liquidates the pre-encumbrance.

113. Cancel encumbrances that are no longer valid using t-code 206.

114. When goods or services have been received or provided and the invoice has been received, record an expenditure and accounts payable in R*STARS using t-code 225, which establishes a voucher payable and liquidates the encumbrance.

115. When the receipt of goods or the provision of services is complete by calendar date June 30, but the invoice is not available, accrue an accounts payable using t-code 437 and reverse the encumbrance using t-code 931R. Since both of these t-codes auto-reverse and do not affect the appropriation table in R*STARS, the document supported encumbrance will remain on the books in the next fiscal year for budget purposes.

116. To charge obligations against a prior biennial appropriation, the service must be performed or supplies received by calendar date June 30 and the vendor paid by December 31. The agency must record an expenditure (accrued liability) by the close of month 13 in R*STARS, but has until December 31 to pay the obligation out of prior biennial funds.

117. Eliminate encumbrances that are still recorded in R*STARS at the end of the biennium (after June 30) for financial reporting purposes using t-code 931R during month 13. T-code 931 will auto-reverse, providing agencies with the remainder of the lapse period to liquidate, cancel, or move the encumbrances forward.

Moving Encumbrances Forward at Appropriation Year End

118. If at the end of a biennium goods or services for an encumbered spending commitment have <u>not</u> been received by June 30, cancel the encumbrance (or balance of the encumbrance for partially fulfilled contracts), and re-established it in the new biennium.

Reporting Encumbrances at Fiscal Year End

119. For GAAP financial reporting purposes, outstanding encumbrances are not expenditures. At the end of a fiscal year, outstanding encumbrances represent estimated expenditures that would result if unperformed spending commitments in process at year-end were completed.

120. Encumbrance accounting applies to all fund types for control purposes. The budgetary schedule presented in the State's **Comprehensive Annual Financial Report** includes encumbrances with actual cash expenditures; however, the financial statements do not.

Disclosure Requirements

121. The notes to the financial statements disclose significant encumbrances by major funds and nonmajor funds in the aggregate in conjunction with required disclosures about other significant commitments.

OREGON ACCOUNTING MANUAL		Number 20.30.00.PO
Oregon Department of Administrative Services State Controller's Division	**Policy**	Effective Date July 1, 2005
Chapter	**Budgetary Accounting and Reporting**	.1 OF .2
Part	**Expenditure and Interfund Transfer Recognition**	
Section		Approval Signature on file at SCD

Authority: **ORS 291.015**
ORS 293.190
NCGA Interpretation No. 10

Purpose and Scope

.101 This policy establishes minimum standards for accounting and reporting expenditures and interfund transfers involving the General Fund for budgetary purposes only. It does not address standards for reporting of expenditures and interfund transfers involving the General Fund under generally accepted accounting principles (GAAP). GAAP standards determine in which fiscal year a transaction should be recorded whereas, the budgetary accounting standards established in this policy determine in which appropriation year (biennium) a transaction should be recorded.

.102 This policy applies to all state agencies that process cash disbursements. For budgetary recognition of expenditures, it applies to all funding sources (General Fund, Other Funds, Federal Funds, and Lottery Funds) and to all fund types including non-limited and non-budgeted financial activities. For budgetary recognition of interfund transfers (out), it applies only to the General Fund (interfund transactions that affect General Fund appropriated funds, 8XXX). This policy does not address budgetary recognition of interfund transfers out when both sides of the transaction involve a funding source other than the General Fund (e.g., Other Funds, Federal Funds, or Lottery Funds).

Policy Standards

.103 Agencies receive a legislatively **approved budget** every biennium. A biennium runs from July 1 of each odd-numbered year to June 30 of the following odd-numbered year. Each biennium is assigned a two-digit appropriation year (AY) number in the Relational Statewide Accounting and Reporting System (**R*STARS**). For example, the 2005-2007 biennium is AY 07. Agencies must use sound budgeting and accounting practices to record expenditures and interfund transfers involving the General Fund in the appropriate biennial period. This will ensure program costs are accurately presented in budgetary reports and consistently reported from biennium to biennium.

.104 Generally, the recognition of expenditures for budgetary purposes should be in the biennium during which a liability is incurred, except as noted in paragraph .105 and .106 below. Liabilities are incurred when services and supplies are received. In accordance with state statute, unexpended limitations and unexpended General Fund appropriations for the biennium ended June 30 are closed December 31 of each odd-numbered year, except as noted in paragraph .105 and .106 below. Thus, expenditures may be recorded in the prior biennium during the six month period July 1 through December 31, provided a liability was incurred by June 30 (goods or services must have been received by calendar date June 30). The R*STARS profile will close budgets on December 31 following the end of a biennium. Agencies may record entries to *reclassify* expenditure related transactions until the fiscal month-end close for December, following the end of each biennium.

.105 **Capital construction** and acquisition budgets are excluded from the December 31 automatic biennial close. These budgets expire six years from the effective dates of the authorizing acts. If an agency anticipates that a capital construction project will extend beyond six years, the agency needs to work with the DAS Budget and Management Division (BAM) to request an extension of the six-year spending limitation during a regular legislative session. The six month lapse period (July 1 – December 31) does not apply to capital construction and acquisition budgets; the expiration of these budgets is six years from the effective dates of the authorizing acts.

.106 Other exceptions to the December 31 automatic biennial close are continuing contracts and contested claims. Continuing contracts are extensions due to unforeseen circumstances that cause the contract to extend beyond December 31. If the contract effective dates cross biennia, the expenditures should match the budget period when they occurred. Contested claims may be the result of administrative or legal action that withholds final payment. Agencies must notify BAM before December 31 for an extension of continuing contracts or contested claims. The agency should document the reason for the delay and retain it for audit review.

.107 Interfund transfers to other funds or other agencies involving the General Fund (when at least one side of the transfer transaction involves the General Fund) are recognized in the biennium during which the movement of cash occurs.

.108 Surplus funds should not be expended for the anticipated needs of the next biennium or for additional unplanned expenditures of the current biennium. Each agency is subject to the examination of purchasing practices and maintenance of inventory policies to determine that costs are charged consistently from period to period.

.109 Failure to properly apply this policy may result in a review of agency budgetary accounting practices.

<table>
<tr><td colspan="2">OREGON ACCOUNTING MANUAL

Oregon Department of Administrative Services
State Controller's Division
Procedure</td><td>Number
20.30.00.PR

Effective Date
July 1, 2005</td></tr>
<tr><td>Chapter</td><td>Budgetary Accounting and Reporting</td><td rowspan="2">.1 OF .3</td></tr>
<tr><td>Part</td><td>Expenditure and Interfund Transfer Recognition</td></tr>
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Signature on file at SCD</td></tr>
</table>

Recognition Standards

.101 **Appropriations** and expenditure **limitations** must be approved by the legislature before any obligation can be incurred. All expenditures made to pay obligations will be charged against the applicable appropriation or limitation. Generally, expenditures should be recognized in the appropriation year (biennium) during which a liability is incurred except for **capital construction** and acquisition budgets and special legislative appropriations.

.102 To charge obligations against a prior biennial appropriation, the services must be performed or supplies received by calendar date June 30 and the vendor paid by December 31. When goods or services are received or provided by calendar date June 30, the obligation is recorded as an expenditure with an offsetting liability. Thus, the encumbrance for this obligation is liquidated or cancelled prior to the close of month 13. When delays result in payment of liabilities after December 31, the expenditure must be recorded against the current legislatively approved budget.

.103 Agencies must make every effort to record payment of obligations in the proper appropriation year. Below are general guidelines to follow in determining when to charge expenditures/ expenses to the associated appropriation year. If additional guidance is needed, agencies should seek advice from DAS Statewide Accounting and Reporting Services or their DAS Budget and Management analyst. If expenditures are charged to the SPOTS (Small Purchase Order Transaction System) credit card, the purchase is considered paid to the vendor when it is charged, not when the SPOTS card payment is made.

	Expenditure/Expense	When to recognize
a.	Personal Services & OPE	The month in which the salary was earned.
b.	Purchase of Material	The date the material is received.
c.	Freight or Express	The month the goods are shipped or received by an agency. (Except as modified by .104).
d.	Transportation of Persons and Commercial Fares	The month when the expense is incurred.
e.	Travel Expense	The month when the expense is incurred.
f.	Movement of Employee's Household Effects	The month when the service is rendered.
g.	Rent	The month when the expense is incurred (when the property is used).

	Expenditure/Expense	When to recognize
h.	Lease	Current payments should be charged to the month that the property is used.
i.	Utilities – Gas, Water, Electricity, Telephone	On the last date of the billing period. When service begins in one appropriation year and ends in another, payment will be made from the appropriation current at the end of such period.
j.	Claims	Appropriation year when it is certain that the liability exists and the amount can be determined.
k.	Audit Expense	The month when the service is performed.
l.	Audit of Federal Grants	The month when the service is performed.
m.	Intraagency and Interagency Charges	The month when the service is performed or supplies furnished.
n.	Contracts (includes the term "continuing contracts")	For contracts whose original effective dates cross biennia, payments should be recorded as expenditures against the biennial budget period when the service or supply is provided. For example, if a lease-purchase contract is in force for 24 monthly payments and the contract effective dates cross biennia, the expenditures should be recorded in the budget period where they occurred.
o.	Capital Construction	Contracts for services or supplies against appropriations that are specifically designated for capital construction are not subject to the restrictions in item .103n (Contracts). However, only the amount representing capital construction costs actually incurred should be charged to the appropriation so the records reflect only capital construction that has been completed.
p.	Capital Improvement	Contracts for services or supplies against appropriations which are specifically designated for capital improvements are subject to the same restrictions in item .103n (Contracts).
q.	Capital Outlay	The month the capital asset is delivered. This includes purchases from other state agencies.
r.	Library Books	The date the book is received.
s.	Dues and Licenses	Payments for dues and licenses to approved organizations are charged to the month when the membership begins. An exception is dues or licenses for memberships beginning in July which must be paid in June to continue membership or avoid penalties. These are charged to the biennium when paid.

Expenditure/Expense	When to recognize
t. Subscriptions	Payments for subscriptions to periodicals are charged to the month when the payment is made.
u. Maintenance Contracts	Prepaid equipment service contracts are charged to the month when the service contract begins. An exception is for contracts beginning in July which must be paid in June to continue maintenance or avoid penalties. These are charged to the biennium when paid.

.104 If freight, express, or hauling expenses are incurred in the current biennium in connection with supplies or equipment contracted for out of the next biennium's appropriations, the expenses may be paid temporarily out of the current biennium's appropriations. When the next biennium's appropriation is available for expenditure, the expenditure should be moved from the prior to the new biennium.

.105 Interfund transfers to other funds or other agencies involving the General Fund should be recognized in the biennium during which the cash transfer is made. For example, if one agency collects revenue at the end of a biennium by June 30 but does not transfer the cash to another agency until July (the first month of a new biennium), the transfer would be recorded in the new biennium if either side of the transfer transaction involves the General Fund. Both sides of a transfer transaction (to and from) must be recorded in the same biennium by both agencies or funds involved. Interfund transfers involve the transfer of resources to or from other funds or other agencies; interfund transfers do not include the transfer of expenditures from one fund to another (i.e., using t-code 415 and 416). For example, if other fund expenditures are paid for by general funds and the expenditures are later moved to the other fund, the movement of the expenditures should be recorded in the same AY in which the original expenditures were recorded.

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.

DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT:	Accounting and Reporting	**Number:**	20.50.00
DIVISION:	Chief Financial Office	**Effective date:**	July 15, 2012
Chapter:	Budgetary Accounting and Reporting		
Part:	Revenue and Interfund Transfer Recognition		
Section:			
APPROVED:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE:

This policy provides guidance on accounting and reporting for General Fund revenues and interfund transfers involving the General Fund (transactions that affect General Fund appropriated funds, 8XXX) for budgetary purposes. It does not address budgetary accounting of revenues and interfund transfers for Other Funds, Federal Funds, or Lottery Funds. However, paragraphs 107, 108, and 109 apply to all funding sources (General Fund, Other Funds, Federal Funds, and Lottery Funds).

AUTHORITY:

ORS 293.590
ORS 291.015
ORS 293.190
NCGA Interpretation No. 10

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**.

This policy does not address standards for reporting of revenues and interfund transfers under generally accepted accounting principles (GAAP). GAAP standards determine the fiscal year in which to record a transaction whereas, the budgetary accounting standards established in this policy determine the appropriation year (biennium) in which to record a transaction.

DEFINITIONS:

A **biennium** is a two-year period used for budgeting purposes that runs from July 1 of each odd-numbered year to June 30 of the following odd-numbered year. Each biennium is assigned a two-digit appropriation year (AY) number in the Relational Statewide Accounting and Reporting System (R*STARS). For example, the 2011-2013 biennium is AY13.

POLICY:

101. Agency management must ensure the proper accounting and reporting of General Fund revenues and interfund transfers for budgetary purposes.

102. Agencies must use sound budgeting and accounting practices to record General Fund revenues and interfund transfers involving the General Fund in the appropriate biennial period. This will ensure accurate presentation in budgetary reports and consistent reporting from biennium to biennium of General Fund revenues and interfund transfers involving the General Fund.

PROCEDURE:

Recognition Standards

103. Recognition of General Fund revenue and transfers from other funds or agencies involving the General Fund for budgetary purposes should be on a cash basis, except as noted in paragraph 106 and 107 below.

104. Agencies must record revenue received by the calendar date June 30 at the end of a biennium in the biennium in which they receive it. If the agency does not deposit or post the cash receipts through June 30 until July, they should record those cash receipts in the biennium in which they receive the cash. For General Fund revenues, it is essential to apply cash basis recognition consistently since the DAS Office of Economic Analysis uses the revenue figures to calculate and certify the “kicker” each biennium. For information on estimated revenues, refer to OAM 20.10.00.

105. Agencies must record transfers from other funds involving the General Fund in the biennium in which they receive the cash. If an agency receives General Fund revenues by June 30 at the end of a biennium, but does not transfer it to other funds until the next biennium, they should record the transfer in the next biennium since this is the biennium in which the cash moved. This is the case when at least one side of the transfer transaction involves the General Fund. Both agencies and funds must record both sides of a transfer transaction (to and from) in the same biennium.

106. For each biennium ending June 30, the Department of Revenue will record in the biennium then ended net personal income tax withholding receipts received in July related to June (and prior), less any withholding related refunds (errors or adjustments) that occur in July that relate to June (and prior). This is an exception to the cash basis budgetary accounting used for other types of General Fund revenue. For purposes of the General Fund “kicker” calculation, this amount is the “30-day number.”

107. Capital construction and acquisition budgets often extend beyond a single biennium; appropriation or expenditure limitations for these budgets expire six years from the effective dates of the authorizing legislation, unless an agency obtains authorization to extend the budget through a regular legislative session. When revenue related to a capital project is received, it should be recorded in the biennium for which the capital construction and acquisition budget exists (this applies to all funding sources, not just to the General Fund). This is an exception to cash basis budgetary accounting applicable to General Fund revenue not used for capital construction and acquisition.

108. Agencies may record entries to *reclassify* revenue related transactions until the calendar month-end close for December, following the end of each biennium (this applies to all funding sources, not just to the General Fund). This does not apply to revenue related transactions for capital construction because the six month lapse period (July 1 – December 31) does not apply to capital construction budgets.

109. Agencies should record reductions of revenue in the same biennium in which they recorded the original revenue, as long as the biennium is still open (this applies to all funding sources, not just to the General Fund). If the biennium is closed, record the transaction as an expenditure. Reductions of revenue should not exceed actual revenue.

Fiscal Year-end Accruals at Second Year of the Biennium

110. For GAAP reporting, agencies should accrue revenues in accordance with GAAP revenue recognition criteria (see OAM 15.35.00). Agencies record most fiscal year-end accruals in month 13. Transactions recorded in month 13 use an effective date of 6/31/FY. R*STARS requires the use of the appropriation year (AY) for the biennium ended June 30 when posting with an effective date of 6/31/FY in the second year of the biennium (i.e., cannot combine an effective date of 6/31/FY with an appropriation year that has not yet begun as of June 30). Since accruals typically auto-reverse in the first month of the new fiscal year, the net effect of accrued revenue on a given AY will be zero because both the accrual and the reversal will post to the same AY. When agencies record actual General Fund revenue (in the new fiscal year) on the cash basis as required by paragraph 103, they record the actual revenue in the new biennium. When running queries to obtain R*STARS General Fund revenue data for budgetary reporting purposes, agencies should limit the queries to cash revenues (not accrued revenue).

111. The concept described in 110 above is best illustrated by a high-level accrual that is non-document supported, is recorded in the second year of the biennium and auto reverses as shown below (note that the net effect on revenue in AY 11 is zero):

<u>AY 11, second year of the biennium</u>

TC 436: To accrue revenue for financial statement purposes		
DR 0503 Accounts Receivable – Other Unbilled	500	
CR 3105 Revenue Control – Financial Statement Accrual (c/o 1200)		500
TC 981: Auto reverse unbilled receivable accrued with TC 436		
DR 3105 Revenue Control – Financial Statement Accrual (c/o 1200)	500	
CR 0503 Accounts Receivable – Other Unbilled		500

<u>AY 13, first year of the biennium</u>

TC 190: To record the receipt of revenue		
DR 0065 Unreconciled Deposit	500	
CR 3100 Revenue Control – Cash (c/o 1200)		500

Moving Accounts Receivable at Appropriation Year-end (For Budgetary Purposes)

112. Agencies should move General Fund accounts receivable forward to the new biennium if the receivables are not collected by June 30 at the end of a biennium. This applies to accounts receivable that are document supported and do not auto reverse. The example below is an accounts receivable that the agency initially established in AY11, but that the agency did not collect by the end of AY11 (June 30, 2011).

<u>AY 11, second year of the biennium</u>

TC 103: To establish accounts receivable that is document supported		
DR 0501 Accounts Receivable – Other Billed	200	
CR 3101 Revenue Control – Accrued (c/o 1200)		200

TC 118: To reverse accounts receivable established with TC 103 but not collected

DR 3101 Revenue Control – Accrued (c/o 1200)	200	
CR 0501 Accounts Receivable – Other Billed		200

TC 436: To accrue revenue for financial statement purposes

DR 0503 Accounts Receivable – Other Unbilled	200	
CR 3105 Revenue Control – Financial Statement Accrual (c/o 1200)		200

TC 981: Auto reverse unbilled receivable accrued with TC 436

DR 3105 Revenue Control – Financial Statement Accrual (c/o 1200)	500	
CR 0503 Accounts Receivable – Other Unbilled		500

<u>AY 13 – to move document supported accounts receivable forward to new biennium</u>

TC 213: To establish accounts receivable that is document supported

DR 0501 Accounts Receivable – Other Billed	200	
DR 2951 Clearing Account	200	
CR 3101 Revenue Control – Accrued (c/o 1200)		200
CR 2951 Clearing Account		200

<u>AY 13 – when the revenue is actually collected</u>

TC 176: To record collection of document supported accounts receivable

DR 0065 Unreconciled Deposit	200	
DR 3101 Revenue Control – Accrued (c/o 1200)	200	
CR 0501 Accounts Receivable – Other Billed		200
CR 3100 Revenue Control – Cash (c/o 1200)		200

OREGON ACCOUNTING MANUAL		Number 25.00.00.PO
Oregon Department of Administrative Services State Controller's Division	**Policy**	Effective Date July 1, 2001
Chapter	**Management Accounting**	.1 OF .1
Part		
Section		Approval Signature on file at SCD

Management Accounting Policy

.101 Agency management shall be responsible for identifying and capturing management accounting data to support the internal and external information needs of the organization.

.102 Each agency is strongly encouraged to develop a process to identify information needs and the means of capturing this information. Documentation necessary to support such planning and presentation, including content and format, shall be determined by the agency. The potential benefits of having specific information should be weighed against the costs necessary to obtain the information.

.103 Management accounting information shall be developed and applied in accordance with accepted cost accounting concepts and generally accepted accounting principles when appropriate. Federal, state or other applicable regulations or requirements should also be considered.

.104 Methodology and assumptions used in developing and applying management accounting information should be properly disclosed to further an understanding by the user of the information. Valid deviations from accepted practices or requirements should be disclosed in working papers and other presentation materials with rationale noted.

<table>
<tr><td colspan="2">OREGON ACCOUNTING MANUAL</td><td>Number
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<tr><td>Oregon Department of
Administrative Services
State Controller's Division</td><td>Procedure</td><td>Effective Date

July 1, 2001</td></tr>
<tr><td colspan="2">Chapter Management Accounting</td><td rowspan="2">.1 OF .3</td></tr>
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Signature on file at SCD</td></tr>
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Developing a Management Process

.101 A suggested process is described here to assist management in its development and planning efforts. The definition of information needs and the ability to obtain that information will evolve and improve over time. This process should not be interpreted as mandatory. Each agency may develop a process to meet its needs, if appropriate.

Define the Primary Needs or Purposes for Information

.102 It is important to understand what information is needed and what it will be used for (i.e. what decisions it will support). The kinds of costs or statistical information to be captured and the degree of detail will vary depending on how the information is to be used and whether collection of the data is cost justified.

.103 Both internal and external information needs should be considered. Each state agency is a part of a larger organization. It may be a division, department or simply the State of Oregon. External users of agency information may include legislators, auditors, budget analysts, investors and the general public.

.104 Documents available for review which may be helpful in determining these information needs include budgets, internal operating or business plans, federal and central state agency publications, and established performance measurements of the organization.

Identify Performance Measures

.105 **Performance measures** are generally designed to measure the efficiency and effectiveness of programs. Not only will this be useful information for department management, but it is also a method for demonstrating accountability and program results to external parties such as the legislature and the general public.

.106 Performance measures are generally separated into two categories.

Efficiency is obtained when a given level of activities is accomplished with fewer resources and efforts than before. Efficiency is also obtained when a greater level of activity is accomplished with the same efforts or resources as before.

Effectiveness relates to the extent to which program objectives have been achieved. A 100% effective program would be one that accomplished all of its objectives. It is helpful to have measurable objectives when evaluating effectiveness.

.107 Managers are accountable for the continual improvement of activity performance. In structuring how an activity is performed or service provided, a manager has a variety of choices to make among different processing methods and resources.

.108 Each alternative method of providing a service or product brings with it certain implications in terms of response to customers, costs, level of investment required, and type of control and management structure. The fundamental rationale for choosing a specific method of providing a service is that it is the method best able to support the business objectives of the agency and the state as a whole.

Define Services

.109 The appropriate level of aggregation of activities for a cost center or cost pool depends on management information needs. These needs may vary over time and from agency to agency. Generally, an ideal cost center represents a level of aggregation that allows services delivered to be linked directly with the costs of providing the services. If defined in this manner, a cost center will have its own measures of productivity (unit costs) and its own measures of benefits (the value of the services delivered). Activity Based Costing (ABC) techniques may be useful in defining services.

.110 A list of services should be assembled to determine the accounting structure necessary to capture the appropriate data. Reviewing the agency's mission, budget document, goals, and objectives will be useful in developing the list. An additional source may be a review of staff activities - where do people spend their time. Management can then categorize the information at an appropriate level of detail.

.111 Ideally, to be useful for cost analysis purposes, a service should have the following characteristics:

- Observable: Different observers should agree on what is being done, by whom it is being done, and for whom, if possible.
- Exclusivity: An employee doing one thing should not be doing something else simultaneously.
- Homogeneity: The tasks necessary to perform the service should be reasonably similar from one instance to the next.

.112 Of these standards, exclusivity is the one most likely to cause a problem, because some governmental activities result in more than one service being delivered at the same time. For example, within the Department of Human Services, a home visit to a pregnant teen on drugs could involve several program areas. Likewise, a state policeman could issue speeding tickets while on patrol. In such situations, considerable judgment must be used whenever a particular service must be costed.

.113 Once a service has been defined, a unit of that service is simply one instance of the service. Creativity is helpful when choosing a unit of service since a unit of service must provide information that addresses management concerns and many of the obvious units of service may only appear to do so. For example, measuring the number of burglaries investigated may provide insight into efficiency but the number of burglary convictions may give information about effectiveness. Since both efficiency and effectiveness are desired, it may be advisable to measure both of these units of service.

.114 Generally, it is desirable that a unit of service focus attention on outputs as much as possible. Government spends money to achieve goals, and a wise choice of units of service should always reflect the goals being pursued. There are many possible units of service for any given type of service. Clearly, there are more possible units of service than there is time to measure. A selection process is needed, but first we must determine what constitutes a good unit of service.

.115 A good unit of service should be:

- Result-oriented;
- Simple, clear, and understandable;
- Amenable to accurate measurement; and,
- Acceptable to those who deliver the service.

.116 Of these four characteristics, the one most frequently ignored or overlooked is the fourth – acceptance by those who deliver the service. It is absolutely essential that the people who actually deliver a service understand and agree on both its definition and its measurement. If the people who deliver the service do not agree with the process, the likelihood of accurate data collection is reduced greatly.

.117 Since the purpose of measuring a service is to provide management with the information it needs to improve either the quantity or the quality of the service, units of service must focus on critical variables whose alteration can materially affect the service delivery pattern. Ultimately, a unit of service must become a focus of action.

.118 The identification of units of service and the capturing of cost information related to these units will provide management with the information necessary to explain to themselves and others what is obtained from dollars spent. This information is critical to resource allocation.

Establish Structure to Capture Data

.119 Using the Statewide Financial Management System, establish classification structures to capture data to meet the requirements of the plan including the collection of data by organizational unit, geographic location, program, or grant project. This will effectively identify cost pools (responsibility centers) to capture the necessary data. When appropriate, fully use the functionality of available systems such as cost allocation to allocate indirect or **overhead** costs.

.120 If justified by need and allowed within resources available, use **cost accounting** methodologies, techniques and tools to accumulate, analyze and report the information managers need to supplement the basic information above.

Analyze and Evaluate

.121 Using performance measures, internal and external reports, and other analyses, measure how well the delivery of services or products is being managed. Comparisons to other units within the organization, other government organizations and the private sector may be useful, when applicable. Comparisons to historical information, where available, may be helpful. This process can also be used to establish future goals for improvement.

.122 The identification of additional information which will better support decision making and the ability to demonstrate value for dollars spent is an ongoing process. It is this process which will provide information which allows for the continuous improvement of agency operations.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	30.10.00.PO
Division:	State Controller's Division	Effective date:	April 2, 2007
Chapter:	**Federal Compliance**		
Part:	**Statewide Single Audit**		
Section:			
Approved:	John Radford, State Controller	Original signature on file in SCD	

Authority **ORS 291.003**
ORS 291.015
ORS 291.026
ORS 291.040
ORS 293.590
Single Audit Act of 1984 as amended in 1996
Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

Roles and Responsibilities

.101 The State and each of its agencies, boards, and commissions will comply with the provisions of the Single Audit Act, as amended, to ensure that the State continues to be eligible to receive federal funding. The State will comply with the reporting and auditing requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

.102 Statewide Accounting and Reporting Services (SARS) will issue a statewide Comprehensive Annual Financial Report (CAFR) on an annual basis, for the fiscal year ended June 30. The CAFR will include an opinion as to whether the State's financial position and results of financial operations is fairly presented in accordance with generally accepted accounting principles (GAAP).

.103 The information for the Schedule of Expenditures of Federal Awards (SEFA) will be prepared by state agencies under the guidance of SARS.

.104 As the constitutional auditor of public accounts, the Secretary of State Audits Division will provide the Statewide Single Audit Report as required by OMB Circular A-133.

.105 With the assistance of the Audits Division and affected agencies, SARS will coordinate the preparation of the Corrective Action Plan and the Summary Schedule of Prior Audit Findings as required by OMB Circular A-133.

.106 In conjunction with the Audits Division, SARS will prepare and submit a Data Collection Form with the Federal Reporting Package.

.107 Agencies are responsible for maintaining their accounting records in a manner that enables SARS to prepare financial statements in accordance with GAAP. Agencies are also responsible for providing sufficient information when requested by SARS or the Audits Division to enable the State to comply with requirements of OMB Circular A-133.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Procedure

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	30.10.00.PR
Division:	State Controller's Division	Effective date:	April 2, 2007
Chapter:	**Federal Compliance**		
Part:	**Statewide Single Audit**		
Section:			
Approved:	John Radford, State Controller	Original signature on file in SCD	

Federal Reporting Package

.101 The Statewide Single Audit is a collective effort including all state agencies. To comply with provisions of the Single Audit Act, the State will prepare a federal reporting package as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This reporting package is required to include the following:

a. Comprehensive Annual Financial Report (CAFR) including the related auditor's opinion.

b. Schedule of Expenditures of Federal Awards (SEFA).

c. Statewide Single Audit Report.

d. Corrective Action Plan.

e. Summary Schedule of Prior Audit Findings.

f. Data Collection Form.

Schedule of Expenditures of Federal Awards

.102 Statewide Accounting and Reporting Services (SARS) will manage the data collection and preparation of the SEFA. In order to facilitate the effective and efficient compilation of the SEFA, agencies that receive and expend federal awards must adhere to the federal reporting requirements described in OAM 15.42.00. Agencies are responsible for reviewing their federal expenditure data to ensure accuracy and completeness of the SEFA for their agency. The data will be collected from agencies in accordance with the year end closing schedule prepared by SARS.

.103 SARS will review agency data and make any necessary changes by October 31 annually. The SEFA will then be submitted to the Audits Division for audit.

Corrective Action Plan

.104 The Corrective Action Plan published by SARS details the audit findings developed by the Audits Division for the year ended June 30 in accordance with OMB Circular A-133. The Audits Division and affected state agencies will provide information needed to complete the plan.

.105 The Corrective Action Plan shall provide information on the nature of the audit finding, the recommended corrective action, the name(s) of the contact person(s) responsible for corrective action, the corrective action planned by the agency, and the anticipated completion date.

Summary Schedule of Prior Audit Findings

.106 The Summary Schedule of Prior Audit Findings published by SARS details the disposition of audit findings reported in the previous Statewide Single Audit. The disposition of these findings will be prepared to meet the provisions of OMB Circular A-133. Agencies will provide information needed to complete the summary schedule. The current status of the audit findings will be reported by the applicable agencies and incorporated into the schedule by SARS.

Data Collection Form

.107 The Data Collection Form will be prepared jointly by SARS and the Audits Division. This form summarizes information as required by the federal government.

.108 The administrator of the State Controller's Division, in conjunction with the director of the Audits Division, will sign the Data Collection Form. Their signatures certify that the State has complied with requirements of OMB Circular A-133, and the information included in the Data Collection Form is accurate and complete in its entirety.

Report Submission

.109 The Audits Division will complete the audit and issue the Statewide Single Audit Report for each fiscal year ended June 30 in accordance with OMB Circular A-133.

.110 SARS will file the Federal Reporting Package described in .101, with the federal clearinghouse designated by OMB. Unless an extension is granted by the federal government, the reporting package is due by the earlier of the following dates: (a) 30 days after receiving the auditor's report, or (b) nine months after the end of the audit period.

OREGON ACCOUNTING MANUAL Oregon Department of Administrative Services State Controller's Division	**Policy**	Number 30.20.00.PO
		Effective Date October 26, 2010
Chapter	**Federal Compliance**	.1 OF .1
Part	**Statewide Central Service Cost Allocation**	
Section		Approval Signature on file at SCD

Authority **ORS 291.015**
Office of Management and Budget (OMB) 2 CFR Part 225, Circular A-87, Cost Principles for State, Local and Indian Tribal Governments (Revised August 31, 2005)
Office of Management and Budget Circular A-21
Department of Health & Human Services (DHHS) publication ASMB C-10 Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government – A Guide for State, Local and Indian Tribal Governments

Approval of Central Service Costs

.101 Central service costs must be approved by the federal **cognizant agency** to ensure that such costs are allowable charges to federal funds.

.102 The State will file a **Statewide Central Service Cost Allocation Plan (SWCAP)** to comply with **OMB Circular A-87** and to obtain approval by the State's cognizant agency for central service costs.

.103 The State operates several central services which benefit all or most state agencies. Agencies providing central services are responsible for allocating central costs in an equitable manner to all state agencies. This is accomplished by billing all central services to user agencies. Although most central services are accounted for using internal service funds, some activities may also be recorded in other types of funds.

.104 The Statewide Central Service Cost Allocation Plan must include all central services, regardless of fund type. Rates and assessments in this plan must comply with federal regulations.

.105 As specified in OMB Circular A-87, the federal Department of Health and Human Services (DHHS) is the cognizant agency for the State.

Preparation of Statwide Central Service Cost Allocation Plan

.106 **Statewide Accounting and Reporting Services (SARS)** is responsible for submitting the Statewide Central Service Cost Allocation Plan (SWCAP).

.107 The SWCAP will be submitted by the due date specified in OMB Circular A-87, or by the due date negotiated with the State's federal cognizant agency.

.108 State agencies that operate central services will provide the appropriate information to be included in the SWCAP. SARS will coordinate the collection of information and preparation of the SWCAP.

.109 Failure to include a central service cost in the SWCAP may result in the affected central costs being ineligible for federal participation and the loss of federal grant money, resulting in agencies being unable to pay their invoices. In addition, the central service agency may be liable to the federal government for any unallowable costs or charges included in the rate or assessment.

OREGON ACCOUNTING MANUAL		Number 30.20.00.PR
Oregon Department of Administrative Services State Controller's Division	**Procedure**	Effective Date July 1, 2001
Chapter	**Federal Compliance**	.1 OF .2
Part	**Statewide Central Service Cost Allocation**	
Section		Approval Signature on file at SCD

.101 Statewide Accounting and Reporting Services (SARS) is responsible for coordinating the preparation and submission of the **Statewide Central Service Cost Allocation Plan (SWCAP)**.

.102 Agencies that have a written agreement with a federal agency other than the **Division of Cost Allocation (DCA)**, or are dealing directly with the DCA, may be accepted from this rule upon application to, and written approval from, SARS.

Preparation of the Statewide Central Service Cost Allocation Plan

.103 The SWCAP is compiled by SARS based on financial statements, descriptions of programs, and other documentation prepared by state agencies.

.104 The SWCAP is to be prepared in accordance with **OMB Circular A-87**. The format of the SWCAP may be determined based on negotiations between the State and the federal cognizant agency.

.105 SARS will provide instructions, timelines, and assistance to state agencies for the compilation of the SWCAP.

.106 Agencies providing central services are responsible to provide the appropriate financial information, narrative summaries, and other pertinent information to SARS within established timelines. This information is to include the following:

a. Financial statements prepared in accordance with **generally accepted accounting principles (GAAP)**.
b. Narrative descriptions of central service activity.
c. An analysis of the fiscal period’s financial activity in the format required by the cognizant agency.
d. A summary of the program’s working capital needs.
e. A summary of revenue for the fiscal period reported in the SWCAP.
f. Any other information deemed necessary. This information will be provided for each central service activity reported in the SWCAP.

.107 SARS will compile information from the agencies into the SWCAP to help ensure the document is prepared in a complete and consistent manner.

.108 SARS will submit the completed SWCAP to the federal cognizant agency. In this role, SARS will ensure that the SWCAP is submitted in accordance with prescribed due dates. If necessary, SARS will obtain an extension of the SWCAP filing deadline.

.109 Agency management is responsible for providing information to the federal cognizant agency when requested. SARS will provide assistance and counsel in coordinating discussions with the federal agency.

Rate Setting and Management of Central Service Activities

.110 Agency management is responsible for setting rates for central services and monitoring the results of operations. The rate and assessment setting process should consider fixed costs, variable costs, breakeven point, projected units of production, and dollar business volumes, where applicable. Rates and assessments should be set on a GAAP basis. To set rates on a GAAP basis, consideration must be given to the concept that the goal of internal service and central service activities is to recover costs. Under the provisions of federal regulations, rates may include a factor to provide up to 60 days of working capital.

.111 All approved rates will be developed in compliance with federal regulations including, but not limited to, **OMB Circulars A-87** and **A-21**. **Unallowable costs**, as defined by these circulars, will not be included in the approved rates that will be charged to federal programs. Unallowable costs must be funded from a source of state-only funds. All rates for central service activities that will be charged to federal programs must be submitted in the Statewide Central Service Cost Allocation Plan (SWCAP) and approved by the federal Division of Cost Allocation.

.112 If rates include a factor for replacement of capital assets, the working capital will likely exceed the working capital limitations imposed by federal regulations. An agency may elect to fund purchases of capital assets from non-federal funding sources in the form of capital contributions that have no federal participation. Alternatively, capital assets can be purchased in a separate decision package requesting an appropriation through the budget process. Accumulated profits that exist in the central service funds are subject to reduction as specified by ASMB C-10.

Net Asset Balances

.113 Agencies should manage their rates to try to keep the net assets (equity) balance within manageable levels. Except for special programs such as retirement systems or self-insurance programs, net assets are deemed to be excessive if they exceed the working capital needs of the program.

.114 As specified in DHHS regulations, excessive levels of net assets should be reduced by one of three methods:

a. Rates can be reduced to reduce revenues. This would reduce net assets balance.
b. A credit may be issued to customer agencies to reduce the net assets balance.
c. The federal government can demand payment for any portion of net assets derived from charges to federal programs.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	30.30.00.PO
Division:	State Controller's Division	Effective date:	April 2, 2007
Chapter:	**Federal Compliance**		
Part:	**Cash Management**		
Section:			
Approved:	John Radford, State Controller	Original signature on file in SCD	

Authority **ORS 291.003**
ORS 291.015
31 CFR Part 205

Cash Management Improvement Act

.101 The State and each of its agencies, boards, and commissions will comply with the provisions of the Cash Management Improvement Act (CMIA) of 1990, as amended, to ensure that the State minimizes payment of interest on federal funds. The CMIA was enacted to ensure efficiency, effectiveness, and equity in the exchange of funds between the states and the federal government related to federal assistance programs. The general provisions of the CMIA are as follows:

a. Federal agencies must make timely fund transfers and grant awards to state agencies.

b. State agencies must minimize the time between the deposit of federal funds in state agency accounts and the disbursement of funds for program purposes.

c. With minor exceptions, the State is entitled to interest from the federal government from the time the State's disbursement instruments are redeemed until federal funds are deposited in state agency accounts.

d. The federal government is entitled to interest from the State from the time federal funds are deposited in state agency accounts until the State disbursement instruments are redeemed.

Treasury-State Agreement (TSA)

.102 The State will participate in the CMIA, as signified by the preparation of a Treasury-State Agreement (TSA). This agreement sets forth the terms and conditions for implementing the CMIA. The agreement shall be signed by the appropriate State official.

.103 Federal assistance programs operated by the State will be included in the TSA when they meet the criteria for a Major Federal Assistance program as defined in the CMIA.

.104 The criteria for defining Major Federal Assistance programs is based on the expenditures reported in the latest available Schedule of Expenditures of Federal Awards (SEFA).

Annual CMIA Report

.105 Each year, the State's CMIA Annual Report must be submitted to the U.S. Treasury by December 31. This report provides an accounting for the CMIA interest liabilities. The liabilities can be owed either by the State or by the federal government.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Procedure

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	30.30.00.PR
Division:	State Controller's Division	Effective date:	April 2, 2007
Chapter:	**Federal Compliance**		
Part:	**Cash Management**		
Section:			
Approved:	John Radford, State Controller	Original signature on file in SCD	

.101 Statewide Accounting and Reporting Services (SARS) is responsible for coordinating the activities necessary to comply with the Cash Management Improvement Act of 1990, as amended. These activities include preparation of the Treasury-State Agreement (TSA) and the Annual Report to the U.S. Treasury Financial Management Service (FMS).

Treasury State Agreement (TSA)

.102 The State will enter into a Treasury-State Agreement as required by the Cash Management Improvement Act (CMIA). The Cash Management Improvement Act System (CMIAS) provides a uniform format for the terms and conditions of the agreement. The TSA includes the following:

a. Listing of programs included in the agreement.

b. The funding techniques to be applied to programs in the agreement, including guidelines for requests for supplemental funding.

c. The methods and standards used to develop and maintain clearance patterns.

d. The method the State will use to calculate and document interest liabilities.

e. The types of interest calculation costs the State expects to incur.

.103 Unless stated otherwise, the TSA will include major federal programs determined from the most recent Schedule of Expenditures of Federal Awards (SEFA) available. The threshold for major programs is based on a percentage specified in federal regulation that is applied to the dollar amount of all federal assistance received by the State.

.104 SARS is responsible for collecting information from affected state agencies and for compiling the Treasury-State Agreement. Annually, SARS incorporates required changes or notifies FMS that no amendments to the TSA are needed. State agencies are responsible for providing appropriate, accurate, and complete information in a timely manner. SARS prepares the TSA in the CMIAS, based on information provided by agencies, and ensures it is approved by FMS and signed by the appropriate State official. Each TSA is effective until terminated.

.105 When any changes in clearance patterns or funding techniques occur, agencies must notify SARS so that the TSA can be amended as appropriate. The State must notify the FMS in writing within 30 days of the time the State becomes aware of a change.

.106 Clearance patterns refer to the number of days lapsed from the time a payment is made by a state agency until the time the disbursement is redeemed by the program recipient. The clearance pattern is used as the basis for the timing of funding requests.

.107 A clearance pattern is based on at least three consecutive months of disbursement data, unless additional data is required to accurately represent the flow of federal funds, including seasonal or other periodic variations in clearance activity. A clearance pattern extends, at a minimum, until 99 percent of the dollars in a disbursement for federal program purposes have cleared.

.108 Agencies shall maintain adequate documentation for the clearance pattern reported to SARS. This documentation is subject to audit.

.109 The State must re-certify the accuracy of a clearance pattern at least every five years.

.110 Funding techniques are the methods by which the federal government transfers funds to state agencies for their federally sponsored programs. Funding techniques should be efficient and minimize the exchange of interest between the State and federal agencies. The following sample funding techniques are discussed in the Code of Federal Regulations:

a. <u>Zero balance accounting</u>. The amount of federal funds transferred to a state based on the actual amount of funds that are paid out by the state each day.

b. <u>Projected clearance</u>. This is a method of transferring federal funds to state agencies in accordance with a specified clearance pattern.

c. <u>Average clearance</u>. This is a method of transferring funds to a state agency based on the dollar-weighted average day of clearance for the disbursement. The dollar-weighted average day is determined from a clearance pattern as the day when, on a cumulative basis, 50 percent of disbursed funds have cleared.

d. <u>Cash advance (pre-issuance or post-issuance) funding</u>. This is a method of transferring the actual amount of federal funds to a state agency not more than three business days prior to the day the state makes payment. Funds permitted to be drawn early are not interest neutral and are subject to interest liability.

e. <u>Reimbursable funding</u>. This is a method of transferring federal funds to a state agency after the state has paid out its own funds for program purposes.

f. <u>Other</u>. FMS and the State may negotiate the use of mutually agreed upon funding techniques to address funding issues that are unique to the State of Oregon.

.111 Agencies should review their funding techniques annually and report any changes to SARS. When selecting funding techniques, agencies are encouraged to use those that are interest neutral. Agencies are responsible to use the funding techniques specified in the TSA for each applicable fiscal year.

Annual CMIA Report

.112 Each year, a CMIA report must be submitted to the FMS. SARS prepares the annual CMIA report in the uniform format provided by the FMS in the CMIAS. The annual report shall be completed in sufficient time to submit it by the due date of December 31.

.113 State agencies will submit requested information for the annual report to SARS in a timely manner. Agencies are responsible to ensure the accuracy and completeness of the information provided.

.114 Interest liabilities will be calculated by agencies in accordance with methods specified in the TSA.

.115 When the calculated federal liability is greater than $5,000, FMS requires additional supporting documentation. State agencies must provide detail supporting any liabilities owed by the federal government. This documentation is subject to audit and should be retained in accordance with records retention requirements.

.116 For the most recently completed fiscal year, payment of the difference between federal interest and State interest liabilities must occur no later than March 31.

OREGON ACCOUNTING MANUAL

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES STATEWIDE POLICY	**NUMBER** 30.40.00	**SUPERSEDES** 30.40.00 dated 04/21/2017
	EFFECTIVE DATE 08/15/2019	**PAGE NUMBER** Pages 1 of 8
Division **Chief Financial Office**	**REFERENCE/AUTHORITY** ORS 291.015 ORS 291.026 ORS 291.040 ORS 293.590 Single Audit Act of 1984 as amended in 1996 (Single Audit Act) 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)	
Policy Owner Statewide Accounting and Reporting Services		
SUBJECT Accounting and Financial Reporting-Federal Compliance: Subrecipient Monitoring and Audit Reviews	**APPROVED SIGNATURE** ***George Naughton, Chief Financial Officer*** ***Signature on file***	

PURPOSE
This policy provides guidance for agencies performing subrecipient monitoring and agency reviews.

APPLICABILITY
This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

FORMS/EXHIBITS/INSTRUCTIONS
None.

DEFINITIONS
Audit Agency: A state agency that has been assigned to review the Single Audit Report of a **subrecipient** organization, which may be a local government or non-profit organization.

Contractor: An entity that receives a contract (or legal instrument) by which a non-federal entity purchases property or services needed to carry out the project or program under a **federal award**. Although a non-federal entity may consider an agreement to be a contract, if the substance of the contract meets the definition of a federal award or **subaward**, the non-federal entity is not a contractor as defined here.

Contributing Agency: A state agency distributing federal funds to one or more local governments or non-profit organizations.

Cross cutting Issues: Issues that affect multiple federal programs such as inadequate internal controls or programs omitted from the **Schedule of Expenditure of Federal Awards (SEFA)**.
Federal Award: Federal financial assistance or federal cost-reimbursement contracts that non-federal entity receives directly from federal awarding agencies or indirectly from pass-through entities.

Schedule of Expenditures of Federal Awards (SEFA): A schedule of federally funded programs under which a government or non-profit organization expended federal aid, listed by Catalog of Federal Domestic Assistance (CFDA) number and amount expended. Additional information may be required in the SEFA depending upon the nature and form of the federal award or subaward. Required by the Single Audit Act.

Subaward: An award provided by pass-through entity to a **subrecipient** for the subrecipient to carry out part of a **federal award** received by the pass-through entity. It does not include payments to a **contractor** or payments to an individual who is a beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that a pass-through entity considers a contract.

Subrecipient: a non-federal entity that receives a **subaward** from a pass-through entity to carry out part of a federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other **federal awards** directly from a federal awarding agency.

Uniform Guidance: Issued by the federal Office of Management and Budget (OMB). Establishes uniform administrative requirements, cost principles, and audit requirements for **federal awards** to non-federal entities. Supersedes federal award guidance found in OMB circulars A-21, A-50, A-87, A-89, A-102, A-110, A-122, and A-133.

Click here for other **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS

None.

POLICY:

Subrecipient Monitoring

101. The State will monitor **subrecipients** of **federal awards** in accordance with **Uniform Guidance**. **Contractors** are not subject to certain provisions of Uniform Guidance related to subrecipient monitoring, but remain subject to all applicable federal, state, and local laws, rules, and regulations in accordance with grant and award agreements, and any compliance or audit requirements that are part of those agreements.

102. **Subrecipients** that expend less than $750,000 per fiscal year in **federal awards** are not subject to the Single Audit Act and do not prepare a **Schedule of Expenditure of Federal Awards (SEFA).** For purposes of determining and assigning **audit agencies**, Statewide Accounting and Reporting Services (SARS) has utilized a threshold of $500,000 in federal funds passed through from all **contributing agencies** to a subrecipient during the fiscal year. The $500,000 threshold ensures that subrecipients that expend federal awards and subawards from sources other than the State, and have a Single Audit conducted over their federal expenditures, are more likely to be reviewed. Even if a SEFA is not required to be prepared, subrecipients remain subject to other requirements specified in **Uniform Guidance** and all applicable federal, state, and local laws, rules, and regulations as well as grant or contract agreements.

103. SARS is responsible for collecting data on **federal awards** passed through from state agencies to **subrecipients** as **subawards**. This data collection is part of the annual preparation of the **SEFA**. Agencies will refer to the accompanying procedures for guidance related to complying with **Uniform Guidance**.

Contributing Agency Responsibilities

104. The **contributing agency** will make a determination whether the local government or non-profit organization is a **contractor** or a **subrecipient** in accordance with §200.330 of **Uniform Guidance** and include that determination in the contract. The contract shall also include the responsibility of the subrecipient to monitor any local government or non-profit organization subrecipient to whom it may pass funds.

   a. An entity may receive federal funds as a subrecipient and a contractor at the same time. Therefore, the contributing agency must make case-by-case determinations whether each agreement it makes for the disbursement of federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor.

105. For all **subawards**, the **contributing agency** must clearly identify to the **subrecipient** that the federal financial assistance is a subaward and include the following required information at the time of the subaward (or if any changes occur, include the changes in subsequent award modification):

   a. **Federal Award** Information:

   - Subrecipient's name, which must match registered name in Data Universal Numbering System (DUNS), and DUNS number.
   - Federal Award Identification Number (FAIN).
   - Federal award date.
   - Subaward period of performance state and end date.
   - Amount of federal funds obligated by this action.
   - Total amount of federal funds obligated to the subrecipient.
   - Total amount of the federal award.
   - Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA).
   - Name of federal awarding agency, contributing agency, and contact information for awarding official.
   - CFDA Number and Name; the contributing agency must identify the dollar amount made available under each federal award and the CFDA Number at time of disbursement.
   - Identification of whether the award is research and development (R&D).
   - Indirect cost rate for the federal award (including if the de minimis rate is charged per §200.414 of **Uniform Guidance**.

   b. All requirements imposed by the contributing agency on the subrecipient so that the federal award is used in accordance with federal statutes, regulation and the terms and conditions of the federal award.

c. Any additional requirements that the contributing agency imposes on the subrecipient in order for the contributing agency to meet its own responsibility to the federal awarding agency including identification of any required financial and performance reports.

d. An approved federally recognized indirect cost rate negotiated between the subrecipient and the federal government or, if no such rate exists, either a rate negotiated between the contributing agency and the subrecipient (in compliance with Uniform Guidance), or a de minimis indirect cost rate as defined in §200.414(b) of Uniform Guidance.

e. A requirement that the subrecipient permit the contributing agency and auditors to have access to the subrecipient's records and financial statements as necessary for the contributing agency and/or **audit agency** to meet the requirements of Uniform Guidance.

f. Appropriate terms and conditions concerning closeout of the subaward.

106. If any of the information in paragraph .105 is not available, the **contributing agency** must provide the best information available to the **subrecipient** to describe the **federal award** and **subaward**.

107. Additional requirements of **contributing agencies** providing **subawards** include:

a. Evaluate each **subrecipient's** risk of noncompliance with federal statutes, regulations, and the terms and conditions of a subaward for purposes of determining the appropriate subrecipient monitoring.

- Factors a contributing agency may consider in its risk assessment of a subrecipient are outlined in in §200.331(b)(1) – (4) of **Uniform Guidance**.

- Depending upon the results of a contributing agency's risk assessment posed by a subrecipient, tools a contributing agency may find useful to ensure proper accountability and compliance with program requirements and achievement of performance goals are contained in §200.331(e)(1) – (3) of Uniform Guidance.

b. Consider imposing specific subaward conditions upon subrecipient if appropriate as described in §200.207 of Uniform Guidance.

c. Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Contributing agency monitoring must include:

- Reviewing financial (unless the responsibility of the audit agency, as described below) and programmatic reports required by the contributing agency.

- Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the **federal award** provided to the subrecipient from the contributing agency through audits, on-site reviews, and other means.

- Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the contributing agency within six months of acceptance of the audit report by the Federal Audit Clearinghouse.

d. Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the contributing agency's own records.

e. Consider taking enforcement action against noncompliant subrecipients as described in §200.338 of Uniform Guidance and in program regulations.

108. Payments for goods and services to **contractors** using **federal award** money generally are not subject to audit or other monitoring activities under **Uniform Guidance**. The **contributing agency's** compliance responsibility for contractors is only to ensure that the procurement, receipt and payment for goods and services comply with laws, regulations, and the provisions of contacts or grant agreements.

Audit Agency Responsibilities

109. Based on listings prepared by SARS, the state agency that distributes the largest amount of funds to any **subrecipient** shall be the responsible **audit agency**. An audit agency shall:

a. Review the auditor's reports on the subrecipient's financial statements, internal control, and compliance with **federal awards**;

b. Verify the subrecipient obtained a Single Audit, if required;

c. Compare the subrecipient's **SEFA** to information provided to the audit agency from SARS and investigate differences;

d. Follow-up and resolve identified compliance deficiencies;

e. Request a revised SEFA if any material differences are identified;

f. Communicate any findings identified in the subrecipient's audit report to the applicable **contributing agency** (the communication must include the date the subrecipient's audit report was accepted by the Federal Audit Clearinghouse), so that the contributing agency may issue a management decision on the finding; and

g. Submit to SARS the Completion Letter for Review of Subrecipient Single Audit (sample located at **75.30.02.FO**) no later than September 30th of the year the assignment was made.

110. An **audit agency** may have monitoring responsibility for more than one **subrecipient**, but a subrecipient will report to only one audit agency.

111. Any agency already active as the **audit agency** for a special group of **subrecipients** may assume permanent responsibility for that group by notifying all affected parties, including other **contributing agencies**.

112. As part of the annual statewide Single Audit, the Secretary of State Audits Division is responsible for examining the **subrecipient** monitoring conducted by **audit agencies**.

113. The **audit agency** is responsible for monitoring state compliance with requirements for second level **subrecipient** review. The State's direct subrecipients must monitor **subawards** passed through to their own subrecipients. The audit agency must assure that assigned direct subrecipients monitor audits and expenditures relating to any second level subrecipients. Second level subrecipients are those local governments and non-profit organizations that receive subawards from a local government or non-profit organization that is itself receiving the subaward directly from a **contributing agency**.

114. **Audit agencies** will retain all **subrecipient** audit reports and associated checklists and workpapers for three years from the date of the audit report unless an exception to this

requirement outlined in §200.333(a)-(f) applies. The exceptions may extend or reduce the amount of time the records need to be retained.

PROCEDURES:

115. SARS will use information gathered in preparing the **SEFA** to identify the state agency that distributed the largest amount of **federal awards** to each **subrecipient** who received over $500,000 in federal financial assistance. This agency will be designated as the **audit agency**. As noted in paragraph .102, SARS uses an audit agency threshold that is lower than the Single Audit threshold.

116. SARS will provide each **audit agency** a list of all federal financial assistance distributed during the year to **subrecipients** for whom they have been designated as the audit agency. The list will be compiled from the **SEFA**. This list will specify the CFDA number, the **contributing agency**, and the total distributions for each federal program.

117. The **audit agency** shall notify **subrecipients** of their assignment as audit agency and the purpose of the assignment under the provisions of **Uniform Guidance**.

118. The **audit agency** must review the appropriate reports and documents, which will likely be available via the Federal Audit Clearinghouse website. These documents include the subrecipient's audited financial statements, **SEFA**, summary schedule of prior audit findings, auditor's reports including the schedule of findings and questioned costs, corrective action plan, and other pertinent schedules and documentation. If the audit agency cannot locate the reports on the Federal Audit Clearinghouse website, the **subrecipient** must make them available. The subrecipient must submit these documents to the Federal Audit Clearinghouse within the earlier of: (1) thirty calendar days after receipt of the auditor's report, or (2) nine months after the end of the audit period, unless a longer period is agreed to with the audit agency.

119. The **audit agency** will review the submissions listed in paragraph .118 for each assigned **subrecipient**. The review must demonstrate compliance with **Uniform Guidance**. The Uniform Guidance review checklist will be used in the review (see OAM form **75.30.01 FO**). At a minimum, each audit agency will perform the reviews of the subrecipients' submissions in accordance with the following:

    a. The audit agency shall assume all audit review responsibility under Uniform Guidance for their assigned subrecipients. The subrecipient period under review should be the subrecipient's fiscal year that ended within or at the same time as the State's fiscal year for which the monitoring assignments have been made. All correspondence to the subrecipient should be addressed to the governing body with a copy to the auditor, when appropriate.

    b. If the audit report of the subrecipient is not received by the audit agency timely, the subrecipient must be contacted. In cases where the subrecipient demonstrates continued inability or unwillingness to have an audit conducted in accordance with Uniform Guidance, all **contributing agencies** should be notified so that appropriate sanctions may be taken. Possible sanctions mentioned in the §200.338 of Uniform Guidance are (a) temporarily withhold cash payments pending correction of the deficiency by the subrecipient or more severe enforcement action by the federal awarding agency or contributing agency; (b) disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance; (c) wholly or partly suspend or terminate the **subaward**; (d) recommend to the federal awarding agency that it initiate suspension or debarment proceedings; (e) withhold further subawards for the project or program, or (f) take other remedies that may be legally available. If an agency fails to impose such sanctions on subrecipients that fail to submit audit reports, the matter may be cited as both a material weakness in internal controls and a compliance issue in the State's Single Audit.

c. The subrecipient is responsible for preparing a response to the audit findings and a corrective action plan per §200.511 of Uniform Guidance. The audit agency shall review the corrective action plan to see that it:

- Responds to all deficiencies cited in the audit report
- Provides a reasonable corrective action plan for each deficiency
- Provides for correction of the deficiencies within a reasonable period of time.

d. If the corrective action plan is inadequate in any way, the audit agency must contact the subrecipient regarding the problems and agree upon the proper corrective action.

e. The audit agency will be responsible for corrective action relative to its own programs and all **cross cutting issues**. A cross cutting issue is one that impacts more than one federal program. The other contributing agencies are to be notified of audit findings relative to their programs and will be responsible for follow-up action. The audit agency shall implement follow-up procedures to assure the corrective actions have been taken.

f. The audit agency is responsible for identifying differences in amount or omission of grants on the subrecipient's **SEFA** by comparing the federal funds listed on the subrecipient's SEFA and the list received from SARS (see paragraph .116 above). The audit agency shall determine the cause for material differences, errors, omissions, or misstatements. This may entail obtaining additional information from the subrecipient, other contributing agencies or both, and doing a reconciliation. Materiality should be set by the audit agency and at the CFDA program level rather than for the SEFA as a whole. Professional judgment should be used in setting the dollar or percentage level of materiality. Contributing agencies must work with audit agencies and subrecipients as needed to resolve identified differences promptly. The audit agency may need to obtain a revised SEFA from the subrecipient once the differences have been resolved. A letter from the auditor of the financial statements and SEFA shall acknowledge and provide assurances on any revisions.

g. The audit agency must follow-up and resolve deficiencies identified in the audit report review of a subrecipient including, but not limited to, the following:

- Any issues involving general compliance requirements (e.g., cash monitoring, civil rights, and internal controls)
- Program specific compliance requirements when the audit agency is also a contributing agency with regard to a specific federal program (e.g., restrictions on use of funds, cost allocation, and financial reports)
- Any actions necessary when questioned costs are reported
- Any corrective actions necessary when the audit does not meet the requirements of Subpart F of Uniform Guidance

h. If the subrecipient has a finding pertaining to a subaward passed through from a contributing agency, the audit agency shall notify the contributing agency of the finding, so that the contributing agency may issue a management decision. The notification must include the date the subrecipient's audit report was accepted by the Federal Audit Clearinghouse, as the contributing agency has six months from that date to issue the management decision.

i. The audit agency shall notify the subrecipient when all of the audit review procedures have been performed for a fiscal year and implementation of all corrective actions has been deemed acceptable. The audit agency must issue a report to the subrecipient upon completion of its review. Copies of the completed report and related documents should be provided to all contributing agencies at the end of the review. Deficiencies must be reported to the contributing agency. Specified federal agencies will receive copies upon request.

j. When the review of the subrecipient is completed, the audit agency shall notify SARS. All assigned Uniform Guidance audit reviews should be completed by September 30th of the year the assignment was made. A sample notification letter is available to accomplish this (see OAM form **75.30.02 FO**).

k. These steps summarize the primary audit review responsibilities for each audit agency. All steps in this review shall be documented in writing and copies retained at the audit agency. At any point in this process where the responsibilities of the subrecipient are not accomplished in a timely fashion, the audit or audit review discloses material problems, or corrective action is not taken properly or on a timely basis, the other contributing agencies must be notified by the audit agency.

120. When an audit finding in the **subrecipient's** single audit report pertains to a **federal award**, the **contributing agency** is required to issue a management decision within six months of acceptance of the report by the Federal Audit Clearinghouse. In the management decision, the contributing agency should clearly state whether or not it sustains the audit finding, the reasons for the decision and the expected subrecipient action to repay disallowed costs, make financial adjustments or take other action. If the corrective action has not been completed, the contributing agency should include a timetable for follow-up. Prior to issuing the management decision, the contributing agency may request additional information or documentation from the subrecipient, including auditor assurance related to the documentation, as a way of mitigating disallowed costs. The management decision should describe any appeal process available to the subrecipient. If an audit finding affects programs of more than one agency, the **audit agency** is responsible for coordinating the management decision for all affected agencies.

OREGON ACCOUNTING MANUAL

DEPARTMENT OF ADMINISTRATIVE SERVICES STATEWIDE POLICY	NUMBER 35.05.00	SUPERSEDES 35.05.00 dated 03/01/2013
	EFFECTIVE DATE 12/11/2018	PAGE NUMBER Pages 1 of 2
Division **Chief Financial Office**	REFERENCE/AUTHORITY ORS 291.015 ORS 293.252 ORS 293.590	
Policy Owner Statewide Accounting and Reporting Services		
SUBJECT Accounts Receivable Management-Introduction	APPROVED SIGNATURE ***George Naughton, Chief Financial Officer*** ***Signature on file***	

PURPOSE
This chapter provides an overview of legal remedies and recommended best practices that state agencies should use to establish, collect, manage, and report accounts receivable.

APPLICABILITY
This policy applies to all state agencies included in the state's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

FORMS/EXHIBITS/INSTRUCTIONS
None.

DEFINITIONS
Reasonable effort: The use of available, legal, and cost-effective means that are appropriate to the circumstances of the collection effort. A means of collection may be considered cost-effective when it is reasonable to expect the costs of collection to be less than the debt. If the anticipated recovery would be only marginally in excess of the cost of collection, it may be reasonable to exert little or no effort to collect the debt.

Click here for other **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS
The guidance referenced in this chapter is not intended to supersede any state or federal statute or regulation.

POLICY
101. Agency management must ensure that agency personnel adhere to all required accounts receivable management practices defined within this chapter; including, but not limited to, timely billing, effective collection, and accurate reporting.

102. Agency management are encouraged to implement recommended practices described in this chapter, when appropriate, for effective accounts receivable management.

103. Agency management must ensure that agency personnel follow the specific federal or state law, rule, or regulation applicable to the agency. Agency specific statutes may allow for a wider range of collection authority (e.g. actions and authority related to interest, penalties, late fees, warrants, garnishments, and non-financial sanctions). This chapter covers general authority available to state agencies.

104. The state's policy is to employ **reasonable effort** to collect all accounts receivable due to state agencies and to establish procedures to effect the timely collection of all amounts owed.

105. Generally speaking, there is no statute of limitations on accounts receivable owed to state agencies; however, the legal enforcement remedies available to collect the accounts receivable may expire. State agencies should consult Department of Justice legal counsel for specific questions.

OREGON ACCOUNTING MANUAL

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES STATEWIDE POLICY	**NUMBER** 35.20.20	**SUPERSEDES** 35.20.20 dated 04/15/2013
	EFFECTIVE DATE 12/11/2018	**PAGE NUMBER** Page 1 of 2
Division **Chief Financial Office**	**REFERENCE/AUTHORITY** ORS 291.015 ORS 293.226 ORS 293.252 ORS 293.590 OAR 122-085-0200	
Policy Owner Statewide Accounting and Reporting Services		
SUBJECT Accounts Receivable Management- Account Establishment: Debtor Information Gathering	**APPROVED SIGNATURE** ***George Naughton, Chief Financial Officer*** ***Signature on file***	

PURPOSE
This policy provides guidance on gathering debtor information.

APPLICABILITY
This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

FORMS/EXHIBITS/INSTRUCTIONS
None.

DEFINITIONS
Click here for other **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS
The guidance referenced in this policy does not apply when it conflicts with any state or federal statute or regulation.

POLICY
101. Agency management must ensure that agency personnel employ appropriate practices in the management and collection of accounts receivable.

102. State agencies shall, to the extent possible, collect or verify debtor information when they establish accounts receivable or receive checks for services. Debtor information is essential to effectively perform skip tracing or asset location (refer to **OAM 35.30.70**) when an account becomes delinquent and requires further collection actions.

103. State agencies should gather, record, and update debtor information on the first contact with the debtor and on each subsequent contact.

104. State agencies should, to the extent possible, obtain at a minimum, the debtor’s legal name, date of birth, phone number, mailing address, and driver’s license number (if applicable). When obtaining information from a business, it is important to obtain a list of owners and officers as well as phone numbers for each.

105. State agencies are encouraged to obtain a debtor’s Social Security Number for debt collection purposes in accordance with OAR 122-085-0200.

106. State agencies must define in their policies and procedures the minimum information they will obtain, how the information will be gathered, and how it will be used. The information obtained must be sufficient to ensure there will not be a delay in the collection of the account due to lack of information.

OREGON ACCOUNTING MANUAL

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES STATEWIDE POLICY	NUMBER 35.20.30	SUPERSEDES 35.20.30 dated 04/15/2013
	EFFECTIVE DATE 12/11/2018	PAGE NUMBER Page 1 of 2
Division **Chief Financial Office**	**REFERENCE/AUTHORITY** ORS 291.015 ORS 293.252 ORS 293.590	
Policy Owner Statewide Accounting and Reporting Services		
SUBJECT Accounts Receivable Management- Account Establishment: Ability to Pay/Deny Services	**APPROVED SIGNATURE** ***George Naughton, Chief Financial Officer*** ***Signature on file***	

PURPOSE
This policy provides an overview of how to determine a customer's ability to pay and when to deny services when a customer has not paid, if applicable.

APPLICABILITY
This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

FORMS/EXHIBITS/INSTRUCTIONS
None.

DEFINITIONS
Click here for other **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS
The guidance referenced in this policy does not apply when it conflicts with any state or federal statute or regulation.

POLICY
101. Agency management must ensure that agency personnel employ appropriate practices in the management and collection of accounts receivable.

102. Agency management must develop policies and procedures for determining a customer's ability to pay when the agency authorizes the goods or services provided to be billed on account or when negotiating payment plans (refer to **OAM 35.30.60**).

103. State agencies may use credit ratings to judge a customer's reliability to pay only when a credit transaction, as defined in the Fair and Accurate Credit Transactions Act, occurs in which the consumer participated directly and voluntarily. Credit reporting bureaus can furnish information concerning the paying habits of individuals and the extent of their credit buying.

104. State agencies may request and use financial documents to determine a customer's ability to pay. State agencies may refer to the Internal Revenue Service Collection Financial Standards as a resource to assist in evaluating an individual's ability to pay.

105. State agencies may continue to transact business with customers when the customer does not meet the agency's criteria for billing (refer to paragraph 102). State agencies may offer goods or services in exchange for payment at the time the goods or services are provided.

106. State agencies may grant credit based on the financial condition of a co-signer or guarantor, provided that the state agency analyzes the co-signor or guarantor in the same manner as the customer and can hold the co-signor or guarantor responsible for unpaid debt as per the terms of the credit granted.

107. Agency management must develop policies and procedures for determining if and when to deny goods or services to delinquent debtors.

108. Agency management should contact the Department of Justice for more information about the state agency's right to withhold services due to an unpaid debt or associated with a debtor who has filed bankruptcy.

OREGON ACCOUNTING MANUAL

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES STATEWIDE POLICY	**NUMBER** 35.30.10	**SUPERSEDES** 35.30.10 dated 04/15/2013
	EFFECTIVE DATE 07/01/2018	**PAGE NUMBER** Pages 1 of 2
Division **Chief Financial Office**	**REFERENCE/AUTHORITY** ORS 291.015 ORS 293.250 ORS 293.252 ORS 293.590 ORS 646.639	
Policy Owner Statewide Accounting and Reporting Services		
SUBJECT Accounts Receivable Management- Account Activity: Scheduling Collection Activity	**APPROVED SIGNATURE** ***George Naughton, Chief Financial Officer*** ***Signature on file***	

PURPOSE
This policy provides guidance on the scheduling of collection activity.

APPLICABILITY
This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

FORMS/EXHIBITS/INSTRUCTIONS
None.

DEFINITIONS
Mandatory collection agency transfer (MCAT) eligibility date: The date an account receivable meets the definition of both liquidated and delinquent (refer to **OAM 35.30.30**).

Reasonable effort: The use of available, legal, and cost-effective means that are appropriate to the circumstances of the collection effort. A means of collection may be considered cost-effective when it is reasonable to expect the costs of collection to be less than the **debt**. If the anticipated recovery would be only marginally in excess of the cost of collection, it may be reasonable to exert little or no effort to collect the debt.

Click here for other **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS
None.

POLICY
101. Agency management must ensure that agency personnel employ appropriate practices in the management of accounts receivable.

102. State agencies are required to make all **reasonable efforts** to collect receivables due to it.

103. Agency management must develop clear, written internal policies and procedures for the billing and collection of accounts receivable; including, but not limited to, a collection contact schedule (refer to paragraph 109 for a sample collection contact schedule). The policies and procedures must be specific as to what action the agency will take, when the agency will take action, and how the agency will initiate and document the action.

104. Collection procedures developed under paragraph 103 must include the assignment provisions referenced in **ORS 293.231**. If an agency receives no payment on an account for a period of 90 days after the **MCAT eligibility date**, the agency must assign the account to the Department of Revenue (refer to **OAM 35.40.30**), unless the account or the agency has an exemption under **OAM 35.40.10**.

105. Collection procedures developed under paragraph 103 must include the appeal process that a debtor may use to dispute the debt. The opportunity to dispute is a requirement for an account to become liquidated (refer to **OAM 35.30.30**).

106. Agency management must ensure their collection policies and procedures are compliant with state and federal laws.

107. Each agency must maintain accurate documentation of all activity associated with each delinquent account. Documented information is necessary to provide support for writing off the account in the event the account is later determined to be uncollectible (refer to **OAM 35.50.10**). If an agency does not have an automated collection tracking database, manual records need to include the following information (refer to the sample format provided on form **OAM 75.35.05.fo**):

- The date contact was made with the debtor
- The person contacted (debtor and/or other person)
- Any agreements to pay (amounts and dates)
- Any other relevant information

108. Agencies must follow-up on broken agreements to pay timely and maintain a record of all follow-up actions as described in paragraph 107.

PROCEDURES

109. **Sample collection contact schedule**: Agencies may use the sample collection contact schedule below as a guideline for developing an efficient schedule of collection efforts:

Account status	Action to be taken
1-30 days past due:	Mail past due letter (refer to **OAM 35.30.50**). If the debtor does not respond then:
31-60 days past due:	Attempt to make contact (e.g. telephone); if contact made, request payment in full or discuss payment arrangements available. If the debtor does not respond then:
Over 61 days past due:	Refer account to Department of Revenue Other Agency Account Unit (refer to **OAM 35.40.30**).

<table>
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<tr><td>Division
Chief Financial Office</td><td colspan="2" rowspan="2">REFERENCE/AUTHORITY

ORS 291.015
ORS 293.252
ORS 293.590</td></tr>
<tr><td>Policy Owner
Statewide Accounting and Reporting Services</td></tr>
<tr><td>SUBJECT
Accounts Receivable Management- Account Activity: Invoicing and Interest</td><td colspan="2">APPROVED SIGNATURE

George Naughton, Chief Financial Officer
Signature on file</td></tr>
</table>

PURPOSE
This policy provides state agencies general invoicing and interest guidelines associated with accounts receivable.

APPLICABILITY
This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

FORMS/EXHIBITS/INSTRUCTIONS
None.

DEFINITIONS
Check – As used in this policy, refers to a check, draft or order for the payment of money.

Customer – As used in this policy, refers to any individual, business, government entity, or organization that owes money to a state agency.

Click here for other **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS
None.

POLICY
101. State agency management must ensure that agency personnel employ appropriate practices in the management and collection of accounts receivable.

102. Invoices must be mailed timely and contain clear and detailed information regarding the balance due, who to contact with questions, and where to send the payment.

103. Each state agency's billing invoice must be clear and informative (refer to the sample invoice in **OAM 75.35.10.FO**). Amounts owed by **customers** established through an administrative or

judicial procedure do not require the issuance of a separate billing invoice. At a minimum, the following components must be included on the invoice (except for subparagraph e, which is only recommended):

a. Header: Include the name and address of the billing agency and the **customer**; the invoice number; invoice date; customer number; due date; and the total amount due.

b. Body: Include specialized contract or agreement numbers and the billing period that the invoice covers; detail about the debt; and, if the invoice lists more than one item, provide a total amount due.

c. Include a statement indicating when any penalty, interest, or other charges will begin to accrue on late payments, returned checks, collection actions, etc. For example, "Failure to make payment in full by the due date may result in additional costs associated with penalties, fees, and interest as authorized by law".

d. Footer: Include a contact name and phone number for the **customer** to call if they have questions regarding the invoice, including TTY information. Interagency invoices processed using R*STARS must include the applicable accounting data (e.g. transaction code, suffix, amount by suffix, etc.).

e. State agencies should consider including a statement such as: "We appreciate customers who pay promptly" or "Thank you for your prompt payment" somewhere on the invoice.

104. State agencies may charge interest on accounts not paid by the original due date. If there is no written agreement (e.g. promissory note, contract) regarding interest rates, nor an agency-specific statute defining interest rates, a state agency may elect to charge interest according to **ORS 82.010,** which limits interest at 9 percent per year. Refer to the notification requirements referenced in paragraph 105.

105. The state agency must notify the customer before the state agency may charge interest. Forms of notification include, but are not limited to, a written agreement; collection letter (refer to **OAM 35.30.50**); information on the state agency's website; signs displayed in visible locations and counters where transactions take place; or additional information provided on the invoice (refer to paragraph 103(c)).

106. Interest per annum is calculated as follows: Principal (only) X Interest Rate divided by 365 X number of days delinquent or since the last interest calculation = Accrued Interest.

107. State agencies may charge the cost of collections to the **customer** as per **ORS 293.231** (refer to **OAM 35.40.20**). Other fees or penalties may be charged when authorized by law. The **customer** must be notified in advance of potential collections costs, fees, or penalties (refer to paragraph 105).

108. State agencies must apply payments received in the following order: penalties and fees, interest, then principal; unless otherwise stipulated by law or an offer in compromise (refer to **OAM 35.30.80**).

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DAS DEPARTMENT OF ADMINISTRATIVE SERVICES STATEWIDE POLICY	NUMBER 35.30.30	SUPERSEDES 35.30.30 dated 07/16/2018
	EFFECTIVE DATE 04/24/2023	PAGE NUMBER Pages 1 of 3
Division **Chief Financial Office**	REFERENCE/AUTHORITY ORS 291.015 ORS 293.229 ORS 293.233 ORS 293.234 ORS 293.250 ORS 293.252 ORS 293.590	
Policy Owner Statewide Accounting and Reporting Services		
SUBJECT Accounts Receivable Management – Account Activity: Definitions – Liquidated and Delinquent	APPROVED SIGNATURE ***Kate Nass, Chief Financial Officer*** ***Signature on file***	

PURPOSE

This policy defines liquidated and delinquent debt and provides criteria for state agencies to liquidate delinquent debt.

APPLICABILITY

This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

FORMS/EXHIBITS/INSTRUCTIONS

None.

DEFINITIONS:

Administrative proceedings, as used below, refers to proceedings that: (a) afforded the debtor an opportunity to request a hearing, or otherwise contest the debtor's liability for the debt and the amount of the debt, before the agency or the Office of Administrative Hearings (whether denominated as a hearing, appeal, petition for review, or otherwise); and (b) are final, because the debtor failed to timely request a hearing or otherwise contest the debtor's liability for the debt and the amount of the debt; or because the agency issued a final order after a hearing and the debtor exhausted or failed to exercise any applicable rights of appeal. This definition covers final orders in contested cases and final orders in other than contested cases.

Delinquent account: an account receivable for which the state agency did not receive payment by the original due date.

Judgment, as used below, refers to a written decision issued by a court that: (1) establishes the debtor's liability for a debt, (2) establishes the amount of the debt, and (3) is final, because the debtor exhausted or failed to exercise any applicable rights of appeal.

Judicial proceeding, as used below, refers to a court proceeding that establishes a debtor's liability for a debt.

Liquidated debt: For purposes of **ORS 293.229 - 293.233** and **ORS 293.250**, a liquidated debt is one for which:

a. An agency has determined an exact past due amount owing; **and**

b. An agency has made a reasonable attempt to notify the debtor in writing of the amount owing and nature of the debt, and has requested payment; **and**

c. The debtor has been provided an opportunity to dispute his or her liability for the debt and its amount; **and**

d. The debt meets **one** of the following **conditions**:

   1) **Judgment** has been entered on the debt.

   2) The debt is a tax debt for which a distraint warrant has been issued or the prerequisites of issuance have been met.

   3) Liability for, and the amount of, the debt have been established through an **administrative proceeding**.

   4) The debt arises from a promissory note.

   5) The debt is an account stated under a preexisting written agreement between the state agency and the debtor; an invoice or a statement of account has been mailed or delivered to the debtor; and the debtor has not objected within the timeframe specified by the state agency (e.g. a customer signs an agreement with a state agency for services, an invoice for services rendered is mailed to the customer, and the customer does not object).

   6) The debtor has acknowledged the debt in writing (both liability and amount), or a written agreement has been reached between the state agency and the debtor regarding the debt (both liability and amount).

   7) The amount due was calculated by the state agency, the state agency notified the debtor of the amount due, and the debtor did not dispute the liability or the amount due. If authorized by the state agency's statutes or rules, the amount due may include, but is not limited to, fees, collection costs, charges, penalties, and interest.

   8) Liability for the debt, but not its amount, was established by an **administrative** or **judicial proceeding**, or by written acknowledgement of the debtor. The amount of the debt was calculated by the state agency. The amount of the debt was mailed or delivered to the debtor, and the debtor did not object within the timeframe specified by the state agency (e.g. balances due the Department of Consumer and Business Services for a non-complying employer as a result of an injury to a subject worker).

Click here for other **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS

None.

POLICY

101. State agency management must ensure that agency personnel employ appropriate practices in the management and collection of accounts receivable.

102. State agencies must liquidate delinquent accounts in a timely manner.

103. State agency management must establish a process that notifies a debtor of their liability for the debt, and gives the debtor an opportunity to dispute the debt, when the liability for the debt and the amount of the debt are established through a process other than an **administrative proceeding** or **judicial proceeding**. This process must be followed before the debt is assigned to the Department of Revenue Other Agency Accounts (DOR-OAA) Unit.

104. State agencies may contact the Department of Justice (DOJ) to facilitate a **judicial proceeding**. When authorized by the state agency's statutes or rules, the agency may contact the Office of Administrative Hearings to facilitate an **administrative proceeding**. Both types of proceedings are structured to provide the debtor a formal opportunity to dispute the debt.

105. **ORS 293.229** requires state agencies to report all **liquidated** and **delinquent** account activity to the Legislative Fiscal Office annually (refer to **OAM 35.60.10**).

106. **ORS 293.231** requires state agencies to offer **liquidated** and **delinquent** accounts to DOR-OAA (refer to **OAM 35.40.30**). Some accounts may be exempt from assignment (refer to **OAM 35.40.10**).

107. Debts assigned to DOR-OAA that were liquidated in the manner described in conditions d.1 through d.8 above, are eligible for tax refund offset.

108. Debts assigned to DOR-OAA that were **liquidated** in the manner described in conditions d.1 through d.3 above, qualify for DOR-OAA to issue a distraint warrant (refer to **OAM 35.40.30**). Issuing the distraint warrant enables DOR-OAA to garnish eligible property belonging to the debtor.

109. DOR-OAA may be unable to issue a distraint warrant (refer to **OAM 35.40.30**) or garnishment to collect debts that were only **liquidated** in the manner described in conditions d.4 through d.8 above. State agencies must take appropriate steps to ensure that DOR-OAA does not issue a distraint warrant or garnishment for debts liquidated in this matter. For example, the state agency should not mark the "non-docketed warrant and garnishment" or the "docketed warrant" boxes provided on the DOR-OAA New Program Information Form if the debts were **liquidated** in the manner described in conditions d.4 through d.8 above.

110. When cost-effective to do so, state agencies are encouraged to **liquidate delinquent** debts in the manner described in conditions d.1 through d.3 above and authorize DOR-OAA to issue a distraint warrant to enable the account to be garnished. State agencies are encouraged to seek DOJ's guidance when determining how to **liquidate** debts under conditions d.1 through d.3 above.

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ORS 291.015
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ORS 293.252
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ORS 646.639</td></tr>
<tr><td>SUBJECT
Accounts Receivable Management- Account Activity: Telephone Collections</td><td colspan="2">APPROVED SIGNATURE

George Naughton, Chief Financial Officer
Signature on file</td></tr>
</table>

PURPOSE
This policy provides guidelines to assist state agencies in the effective use of the telephone as a collection tool. It also alerts collection staff to various restrictions placed on telephone collection techniques by federal and state laws.

APPLICABILITY
This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

FORMS/EXHIBITS/INSTRUCTIONS
None.

DEFINITIONS
Click here for other **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS
None.

POLICY
101. State agency management must ensure that state agency personnel employ appropriate and lawful practices in the collection of accounts receivable.

102. State agencies are encouraged to incorporate telephone contact attempts into their written internal policies and procedures for the collection of accounts receivable (refer to **OAM 35.30.10**).

103. State agency management is responsible for determining when it is an appropriate use of its resources to attempt to contact a debtor by telephone as part of its collection processes. It is recommended that each state agency establish an internal policy on this, including the identification of a threshold of when the state agency pursues telephone collections. This policy

should be documented as part of the schedule of collection activity referenced in **OAM 35.30.10**.

104. State agencies that attempt to make telephone contact must follow the guidelines outlined in this policy.

105. State agencies must comply with the Oregon Unlawful Debt Collection Practices statute, **ORS 646.639**, related to consumer debt. Agency staff undertaking telephone collections must read, understand, and comply with the provisions of **ORS 646.639**. The provisions of **ORS 646.639** indicate that the following actions are considered unlawful collection practices:

a. Use or threatened use of force or violence

b. Threatening the arrest or criminal prosecution of the debtor

c. Threatening seizure, attachment, or sale of property without disclosing the required legal proceedings

d. Use of profane, obscene, or abusive language with the debtor or the debtor's family

e. Communication with the debtor or debtor's family repeatedly or at inconvenient times with the intent to harass or annoy (inconvenient times are generally between 9:00 p.m. and 8:00 a.m. of the debtor's time zone)

f. Communication or threatened communication with the debtor's employer concerning the nature or existence of a debt

g. Communication with the debtor at their place of employment without their permission (some exceptions apply, refer to **ORS 646.639(2)(g)**)

h. Communication with the debtor without clearly identifying the collector's name and the name of the entity where the debt was originated

i. Oral communications without disclosure of the collector's name and the purpose of the contact within 30 seconds

j. Causing any expense to the debtor through communication mediums by concealing the true purpose of the contact

k. Attempting or threatening to enforce a right or remedy that does not exist, or one that the collector would not normally take

l. Using any form of communication that simulates a legal process where such a legal process has not been approved or authorized

m. Representing that additional charges may be imposed when those charges may not be legally included

n. Collecting or attempting to collect interest or other charges in excess of the debt, unless the fees are authorized by the agreement or by law

o. Threatening to assign or sell the account in a manner that misrepresents to the debtor that they may lose their defense to the debt or be subjected to harsh collection tactics

The above actions represent only a general summary of the law. State agency collection personnel must read and be familiar with the full context of **ORS 646.639**.

106. State employees who collect debt during the performance of their official duties are specifically exempt from coverage under the Fair Debt Collections Practices Act (15 U.S.C. §§1692a (6)(C)). This law does not bind state employees whose specific job entails collecting debt;

however, the state of Oregon sees the value of the Fair Debt Collections Practices Act and recommends that all agencies voluntarily comply. Many provisions of the state and federal laws overlap. The Fair Debt Collection Practices Act makes the following practices illegal:

a. Threats of violence, obscene language, harassing phone calls, and publication of debtors
b. Calling the debtor at work, if the debtor objects
c. Impersonating government officials or misrepresenting the identity of the collector
d. Revealing the fact of the past due debt to a third party, such as a neighbor or employer, however, allowance is made to report the debt to spouses, credit bureaus, or the agency's attorney
e. Calling at unusual times (federal law suggests the hours of 8:00 a.m. to 9:00 p.m. as acceptable times for communicating with a debtor)
f. Circumventing an attorney, if it is known that an attorney represents the debtor

The above practices represent only a general summary of the law. It is recommended that state agency collection personnel read and be familiar with the full context of the Fair Debt Collection Practices Act.

107. State agencies should train their collection staff in areas of telephone etiquette and customer service.

108. The collector must know their state agency's guidelines concerning debt collections, since the state agency's guidelines may be more stringent than Oregon Accounting Manual guidelines.

109. Conversations with a debtor must be documented and retained with the account. Refer to **OAM 75.35.05.FO** for a sample Account Contact Record form. Refer to **OAM 35.30.10** for more information on documentation and record keeping.

PROCEDURES

110. Before contacting the debtor by telephone, the collector is recommended to prepare for the collection call as follows:

a. Examine all previous records of the account
b. Identify the general category of the account, that is, traditional slow pay, intermittent delinquent, disputed account, temporary financial problems, or delinquent non-payment
c. Review previous collection efforts
d. Ensure records are up-to-date, reflecting all account receipts, to avoid making unwarranted calls

111. It is important for the collector to know to whom they are speaking and for the debtor to know exactly who is calling. If a third party asks what the call is in regards to, the collector must not reveal the debt, instead they should say that they must discuss that with Mr. or Ms. <LAST NAME>. When the debtor is on the phone, the collector should:

a. State who they are and why they are calling (refer to paragraph 105(i)).
b. Ask for immediate payment in full or a partial payment.
c. Remind the debtor if there was a previous broken agreement to pay.

d. Wait for the debtor to respond. It may take more than a few seconds for the debtor to respond, but be patient.

e. Be interested and attentive to what the debtor has to say, and stay focused on the debtor not on what the collector wants to say next. If the debtor does not answer a question, ensure the question has been understood by repeating it another way. Be positive to avoid blaming the debtor for not understanding.

112. During the telephone call, the collector has an opportunity to:

a. Update existing debtor data and gather additional information

b. Find out who has the authority to pay, and when identified, focus calling activity on that responsible person

c. Respond to new information

d. Obtain an immediate answer

e. Persuade the individual to make payment

f. Get a commitment from the individual to make a specific payment on a specific date

113. When speaking on the telephone, the collector projects not only an image of the agency, but also that of the State as a whole. To be effective, the collector must sound confident. The following are tips that can help a collector to present a positive image:

a. <u>Courtesy</u>*.* The collector should be courteous and professional while talking with the debtor. The purpose of calling the debtor is to get a commitment to pay the debt, not to upset them. If the debtor gets upset on the phone, it may be better to politely break off the conversation and call back later; however, the collector should not allow the debtor to use emotional outbursts to avoid dealing with the debt repayment.

b. <u>Tone.</u> The collector should keep a clear, pleasant sound to their voice. Some collectors recommend smiling while talking, since the difference it makes in voice tone is noticeable.

c. <u>Inflection.</u> The collector’s voice should have a natural tone, and not be monotone. The collector should speak firmly, but not shout.

d. <u>Speed.</u> The collector should use a normal rate of speech, not over-emphasizing words, or speaking too fast.

e. <u>Clarity.</u> The collector should speak distinctly, and not use acronyms or complicated terminology that the debtor may not understand. Remarks of hesitation, such as "uh" should be avoided.

f. <u>Acknowledgement.</u> The collector must strive to get the debtor to acknowledge the debt before they can persuade the person to pay.

g. <u>Subject.</u> The collector must stay focused on the debt and not allow unrelated issues to sidetrack them. Some debtors may attempt to antagonize, but collectors must avoid arguing and maintain control at all times.

h. <u>Accuracy.</u> The collector must never say they will do something they cannot do, or do not intend to do. If the collector cannot make a payment arrangement, the collector needs to be specific as to what they intend to do and are required to do.

114. If the debtor becomes antagonistic, remain calm and stay in control. Do not let the tone of the conversation heighten.

115. If the debtor says they never received the invoice, take their word for it. Verify the name and address, and mail a duplicate copy of the invoice that day. Ask for a commitment for immediate payment and provide the specific date by which the state agency must receive payment. Call back if the state agency does not receive payment by the new agreed upon date.

116. If the debtor says that they have already paid the account, gather the payment information; such as, where the debtor sent the payment, the date the debtor sent the payment, and how much the debtor paid. Ask for copies of the front and the back of any cancelled checks. At a set time, review the account. If the state agency receives payment, the state agency may call and express appreciation for the payment. If the state agency does not receive payment, call to verify non-payment.

117. If the debtor says the state agency has made an error, or if the debtor disputes the amount or existence of the debt, gather appropriate information and follow applicable state agency procedures.

118. Some debtors may play on the collector's sympathy by explaining their problems; the collector should:

    a. Listen to the debtor's story, and be empathetic

    b. Remind the debtor that the opportunity to dispute may have elapsed (e.g. administrative hearing or judicial process)

    c. Ask questions to obtain the facts, while expressing an understanding and caring attitude

    d. Repeat the request for payment in full, or for the debtor to bring the account current

119. If the debtor has filed for, or is in bankruptcy, the collector must follow certain procedures under Title 11 of the U.S. Code. Information concerning who has filed for bankruptcy is available at the following web site: http://www.pacer.gov/. (Note: registration is required to access this site.) For additional information, view the October 2017 Bankruptcy 101 training.

OREGON ACCOUNTING MANUAL

<table>
<tr><td rowspan="2">DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

STATEWIDE POLICY</td><td>NUMBER

35.30.50</td><td>SUPERSEDES

35.30.50
dated 04/15/2013</td></tr>
<tr><td>EFFECTIVE DATE

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<tr><td>Division
Chief Financial Office

Policy Owner
Statewide Accounting and Reporting Services</td><td colspan="2">REFERENCE/AUTHORITY

ORS 291.015 ORS 293.226
ORS 293.231 ORS 293.233
ORS 293.250 ORS 293.252
ORS 293.590 ORS 646.639</td></tr>
<tr><td>SUBJECT
Accounts Receivable Management- Account Activity: Letter Collections</td><td colspan="2">APPROVED SIGNATURE
George Naughton, Chief Financial Officer
Signature on file</td></tr>
</table>

PURPOSE
This policy provides guidelines for the use of letters as a tool for collecting delinquent debts.

APPLICABILITY
This policy applies to all state agencies included in the State’s annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

FORMS/EXHIBITS/INSTRUCTIONS
None.

DEFINITIONS
Delinquent: an account receivable for which the state agency did not receive payment by the original due date.

Account: As used in this policy, refers to a debt owed to a state agency.

Click here for other **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS
Amounts owed by a debtor that were established through an administrative or judicial procedure do not require the issuance of a collection letter; however, all notification requirements described in this policy must be provided to the debtor in writing.

POLICY
101. Agency management must ensure that agency personnel employ appropriate and lawful practices in the collection of accounts receivable.

102. Agency management is responsible for providing clear guidelines to employees responsible for collecting **delinquent** accounts receivable.

103. Agencies must comply with the Oregon Unlawful Debt Collection Practices statute, **ORS 646.639**, related to consumer debt. Agency staff undertaking letter collections must read, understand, and comply with the provisions of **ORS 646.639**.

104. State employees who collect debt during the performance of their official duties are specifically exempt from coverage under the Fair Debt Collections Practices Act (15 U.S.C. §§1692a (6)(C)). This law does not bind state employees whose specific job entails collecting debt; however, the State of Oregon sees the value of the Fair Debt Collections Practices Act and recommends that all agencies voluntarily comply. Many provisions of the state and federal laws overlap.

105. Agencies are required to send at least one collection letter to the debtor for each **delinquent** account, unless the debtor has an open bankruptcy case; the agency has agreed to accept payments from the debtor and the debtor is complying with the payment plan (refer to **OAM 35.30.60**); or the debt was established through an administrative or judicial procedure (refer to exclusions and special situations above). The collection letter should be sent before the agency takes progressive action to collect the account. The collection letter should contain the following elements:

a. The name, address, and phone number of the state agency making the demand for payment;

b. The amount owed by the debtor, including principal, interest, and penalties (if any);

c. A request for action (e.g. payment, making payment arrangements);

d. The facts pertaining to the existence of the obligation (e.g. description of debt, original due date, invoice number);

e. The deadline for the debtor to respond;

f. A statement explaining what will happen if the debtor does not make payment by the date set forth in the letter (refer to paragraph 106);

g. An encouragement for the debtor to take action (e.g. continue as a customer, avoid withholding of services, avoid potential actions referenced in paragraph 106); and

h. Procedures for the debtor to correct any errors or dispute the debt (applicable if not previously provided through administrative or judicial processes).

106. Collection letters serve to notify the debtor of all potential actions that may result from the debtor's failure to pay or respond. Agencies may not refer to potential actions that the agency does not have the authority to take or does not intend to take. Potential actions include, but are not limited to:

a. Assignment to Department of Revenue Other Agency Accounts (DOR-OAA) unit (refer to **OAM 35.40.30**)
b. Collection fees (refer to **OAM 35.40.20**)
c. Interest charges (refer to **OAM 35.30.20**)

107. Collection letters should be prepared using a business letter format and printed on agency letterhead. The content should incorporate professional language that the debtor will easily understand and be as simple and concise as possible while still communicating the required information. (Refer to collection letter samples provided in paragraphs 111-113.)

108. Agencies must keep a record of collection letters sent to debtors with other correspondence related to the **delinquent** account.

109. Agencies shall use returned mail services and follow-up on all returned mail promptly. These services notify the agency when a debtor has a forwarding address or if the collection letter is undeliverable. If the debtor moved and left no forwarding address, or if the address provided proves to be inaccurate, refer to **OAM 35.30.70** for information on skip tracing.

110. Agencies shall establish a mechanism to track the collection letter response timeframes referenced in paragraph 105. If the timeframe outlined in the collection letter expires without a response or payment from the debtor, the agency shall proceed with the action outlined in the letter.

PROCEDURE

111. **Sample collection letter #1:** Below is recommended language for agencies to incorporate into collection letters when state agencies add the cost of collection (refer to **OAM 35.40.20**) and interest charges (refer to **OAM 35.30.20**).

> "Our records indicate your debt is past due. As of {date}, you owe {state agency} the sum of ${principal amount plus interest accrued to date} for {describe the nature of the debt, fine, restitution, judgment, or other liability, etc.}. The amount you owe will increase {over time/monthly/other period to be recomputed} as interest accrues at a rate of {interest rate} on the unpaid principal amount.
>
> If the {state agency} does not receive a payment from you by {date}, then your debt will be assigned to the Oregon Department of Revenue for collection as required by Oregon Revised Statute 293.231. At that time, you will also become responsible for the payment of an additional collection fee of up to {collection rate*} percent of the amount you owe. This additional percentage will apply to any increase in the amount you owe due to the accrual of interest on the unpaid principal amount.
>
> The Oregon Department of Revenue may subsequently assign your debt to a private collection firm for collection as required by Oregon Revised Statute 293.231. At that time, you will become responsible for the payment of an additional collection fee of up to {collection rate**} percent of the amount you owe. This additional percentage will apply to any increase in the amount you owe due to the accrual of interest on the unpaid principal amount.
>
> To prevent your debt from accumulating interest, or from being assigned to collections at an additional cost to you, we must receive payment no later than {date}.
>
> If you dispute the past due balance, please {agency's dispute process} and submit to {the agency} by {date}.
>
> Your prompt attention to this matter is greatly appreciated. You may contact me at {signatory's phone number} Monday through Friday between {time} a.m. (PST) and {time} p.m. (PST)."
>
> ** Collection rate: A specific collection fee percentage should be stated using the formula "rate/(1-rate)". (Rate = highest collection fee as provided by DOR-OAA)*

*** Collection rate: A specific collection fee percentage should be stated using the formula “rate/(1-rate)”. (Rate = highest collection fee as provided by the private collection firm)*

112. **Sample collection letter #2:** Below is recommended language for agencies to incorporate into collection letters when state agencies add the cost of collection (refer to **OAM 35.40.20**) but do not assess interest charges.

“Our records indicate your debt is past due. As of {date}, you owe {state agency} the sum of ${principal amount} for {describe the nature of the debt, fine, restitution, judgment, or other liability, etc.}.

If the {state agency} does not receive a payment from you by {date}, then your debt will be assigned to the Oregon Department of Revenue for collection as required by Oregon Revised Statute 293.231. At that time, you will also become responsible for the payment of an additional collection fee of up to {collection rate*} percent of the amount you owe.

The Oregon Department of Revenue may subsequently assign your debt to a private collection firm for collection as required by Oregon Revised Statute 293.231. At that time, you will become responsible for the payment of an additional collection fee of up to {collection rate**} percent of the amount you owe.

To prevent your debt from being assigned to collections at an additional cost to you, we must receive payment no later than {date}.

If you dispute the past due balance, please {agency’s dispute process} and submit to {the agency} by {date}.

Your prompt attention to this matter is greatly appreciated. You may contact me at {signatory’s phone number} Monday through Friday between {time} a.m. (PST) and {time} p.m. (PST).”

** Collection rate: A specific collection fee percentage should be stated using the formula “rate/(1-rate)”. (Rate = highest collection fee as provided by DOR-OAA)*

*** Collection rate: A specific collection fee percentage should be stated using the formula “rate/(1-rate)”. (Rate = highest collection fee as provided by the private collection firm)*

113. **Sample collection letter #3:** Below is recommended language for agencies to incorporate into collection letters when state agencies do not add the cost of collection or interest charges.

“Our records indicate your debt is past due. As of {date}, you owe {state agency} the sum of ${principal amount} for {describe the nature of the debt, fine, restitution, judgment, or other liability, etc.}.

If the {state agency} does not receive a payment from you by {date}, then your debt will be assigned to the Oregon Department of Revenue for collection as required by Oregon Revised Statute 293.231.

The Oregon Department of Revenue may subsequently assign your debt to a private collection firm for collection as required by Oregon Revised Statute 293.231.

To prevent your debt from being assigned to collections we must receive payment no later than {date}.

If you dispute the past due balance, please {agency's dispute process} and submit to {the agency} by {date}.

Your prompt attention to this matter is greatly appreciated. You may contact me at {signatory's phone number} Monday through Friday between {time} a.m. (PST) and {time} p.m. (PST)."

OREGON ACCOUNTING MANUAL

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES STATEWIDE POLICY	**NUMBER** 35.30.60	**SUPERSEDES** 35.30.60 dated 04/15/2013
	EFFECTIVE DATE 07/01/2018	**PAGE NUMBER** Pages 1 of 4
Division **Chief Financial Office**	**REFERENCE/AUTHORITY** ORS 291.015 ORS 293.252 ORS 293.590	
Policy Owner Statewide Accounting and Reporting Services		
SUBJECT Accounts Receivable Management- Account Activity: Payment Plans	**APPROVED SIGNATURE** ***George Naughton, Chief Financial Officer*** ***Signature on file***	

PURPOSE
This policy provides guidelines to assist agencies in developing payment plan agreements with debtors.

APPLICABILITY
This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

FORMS/EXHIBITS/INSTRUCTIONS
None.

DEFINITIONS
Click here for other **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS
None.

POLICY
101. Agency management must ensure that agency personnel employ appropriate practices in the management of accounts receivable.

102. Agencies must always request payment in full from a debtor.

103. Agencies may propose or accept a payment plan in cases where the debtor is unable to pay in full. The Department of Revenue Other Agency Account Unit may propose or accept payment plans on behalf of state agencies as outlined in **OAM 35.40.30**.

104. Agency management must create, document, and maintain general payment plan guidelines for staff, including:

   a. A standard length of time over which a debtor can make payments with the intent to receive full payment from the debtor as soon as possible;

   b. Procedures for handling a debtor's request for a payment plan that exceeds the standard length of time;

   c. Process for re-evaluating payment plan terms to determine if the payment amount can be increased; and

   d. Documentation requirements to be provided by the debtor (e.g. financial statements, bank statements).

105. Agencies should consider obtaining a "good faith" payment prior to establishing a payment plan.

106. Agencies shall document payment plan agreements between the agency and the debtor. Payment plan agreements should be signed by the debtor and an agency representative (refer to paragraph 112 for a sample payment plan agreement).

107. The payment plan agreement provided to the debtor must include the following:

   a. Debtor's name and account/ID number
   b. Account balance
   c. Payment amount and due dates
   d. Address to remit the payment to (if applicable)
   e. Rate of interest (if charged)
   f. Agencies right to do an offset (if applicable)
   g. Procedure to acquire an account balance, if the debtor wishes to pay off the balance early
   h. Steps that will be taken by the agency if the terms of the payment plan are not strictly followed by the debtor
   i. Agency contact name and phone number

108. Agencies should explore the use of electronic recurring payment methods to encourage compliance with the payment plan terms.

109. Agencies are required to create and document a standard mathematical formula to calculate a debtor's payments over the term of the payment plan.

110. The agency retains the right to do an offset (tax, vendor, other) even if the agency enters into a payment plan agreement with the debtor.

PROCEDURES

111. **Sample payment plan letter**: Below is a sample payment plan letter that agencies may use to communicate payment plan details to the debtor, including payment dates, interest, and account balance information (debtor signature not required):

{date}
{debtor name}
{address}
{city, state, zip}

RE: Payment Plan for {liabilities}

Dear {debtor name},

As per our telephone discussion on {date}, you agreed to make installment payments to {agency name} for the purpose of paying in full {debtor name}'s account balance of ${balance}. The following information details the payment plan terms you agreed to during our telephone conversation.

This agreement does not constitute a waiver by the state of Oregon or {agency name} to any rights and remedies under law. The terms and conditions of this agreement include interest at a rate of {interest rate} % per annum.

Monthly payments of ${payment} or more are due on the {date} of each month starting {date}. WE MUST RECEIVE YOUR PAYMENT ON OR BEFORE THE DUE DATE. THERE IS NO GRACE PERIOD. Any payment that is not received at {agency name} by the respective due date may result in the balance of your account being assigned to the Oregon Department of Revenue for collection. The Oregon Department of Revenue may subsequently assign your account to a private collection firm for collection. If {agency name} assigns the account to collection, you may also be responsible for any collection fees of up to {collection fee} % that are associated with collecting this debt.

The {agency name} retains the right to offset any refunds or sums due to the debtor from the {agency name}, the Department of Revenue, or from any other state agency as per ORS 293.254.

This agreement will be reviewed on {review date} for possible increase of payment. At that time, we may ask you to provide us with updated financial statements necessary to re-evaluate this agreement. We would appreciate your efforts in paying off the account as quickly as possible and making payments in a timely manner. It is your responsibility to contact us if you are unable to meet the terms of this agreement.

If you have any questions, please call me at {phone number}.

Sincerely,

{name}
{title}

112. **Sample payment plan agreement**: Below is a sample payment plan agreement that agencies may use to communicate payment plan details to the debtor, including payment dates, interest, and account balance information (debtor signature required).

This agreement between {debtor name} and the {agency name} is made for the purpose of paying in full {debtor name}'s account balance of ${balance}. Execution of this agreement does not constitute a waiver by the state of Oregon or {agency name} to any rights and remedies under law. The terms and conditions of this agreement include interest at a rate of {interest rate} % per annum.

Monthly payments of ${payment} or more are due on the {date} of each month starting {date}. WE MUST RECEIVE YOUR PAYMENT ON OR BEFORE THE DUE DATE. THERE IS NO GRACE PERIOD. Any payment that is not received at {agency name} by the respective due date may result in the balance of your account being assigned to the Oregon Department of Revenue or a private collection firm for collection. If {agency name} assigns the account to collection, you may also be responsible for any collection fees of up to {collection fee} % that are associated with collecting this debt.

The agency retains the right to offset any refunds or sums due to the debtor from the {agency name}, the Department of Revenue, or from any other state agency as per ORS 293.254.

This agreement will be reviewed on {review date} for possible increase of payment. At that time, we may ask you to provide us with updated financial statements necessary to re-evaluate this agreement. We would appreciate your efforts in paying off the account as quickly as possible and making payments in a timely manner. It is your responsibility to contact us if you are unable to meet the terms of this agreement.

{debtor}	{agency}
Signatures________________________	________________________
Printed Name________________________	________________________
Title________________________ {owner/partner/officer}	________________________
Date________________________	________________________

<table>
<tr><td colspan="3">OREGON ACCOUNTING MANUAL</td></tr>
<tr><td rowspan="2">DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

STATEWIDE POLICY</td><td>NUMBER

35.30.70</td><td>SUPERSEDES

35.30.70
dated 07/01/2013</td></tr>
<tr><td>EFFECTIVE DATE

12/11/2018</td><td>PAGE NUMBER

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<tr><td>Division
Chief Financial Office</td><td colspan="2" rowspan="2">REFERENCE/AUTHORITY

ORS 291.015
ORS 293.252
ORS 646.639</td></tr>
<tr><td>Policy Owner
Statewide Accounting and Reporting Services</td></tr>
<tr><td>SUBJECT
Accounts Receivable Management- Account Activity: Skip Tracing and Asset Location</td><td colspan="2">APPROVED SIGNATURE
George Naughton, Chief Financial Officer
Signature on file</td></tr>
</table>

PURPOSE
This policy provides agencies with guidelines for using skip tracing and asset location tools to enhance the collection of delinquent accounts receivable.

APPLICABILITY
This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

FORMS/EXHIBITS/INSTRUCTIONS
None.

DEFINITIONS
Skip tracing: The process of locating a debtor when the information a state agency has on file is determined to be outdated, inaccurate, or incomplete.

Asset location: The process of finding a debtor's assets of value (e.g. cash, equipment, land, residence).

Click here for other **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS
The guidance referenced in this policy does not apply when it conflicts with any state or federal statute or regulation.

POLICY
101. Agency management must ensure that agency personnel employ appropriate practices in the collection of accounts receivable.

102. State agencies are encouraged to incorporate **skip tracing** and **asset location** into their collection procedures.

103. State agencies should exercise professional judgment to determine how much time and effort should be spent utilizing **skip tracing** or **asset location** services. When determining how much time and effort to employ, consider the amount of investigation time compared to the amount of the debt.

104. State agencies may use returned mail as a **skip tracing** tool. When using this tool, state agencies should determine how the updated information will be processed.

Note: Refusal of a registered or certified letter does not necessarily indicate the person is not at that address.

105. State agencies may use telephone contact as a **skip tracing** tool. When using this tool, refer to **OAM 35.30.40** for telephone contact provisions.

PROCEDURES:

106. There are several tools available to state agencies for **skip tracing** and **asset location**; some are free services available through the internet, while others are fee-based services such as credit reports and consumer database services.

Some examples of free skip tracing services available through the internet include:

a. http://www.addresses.com/
b. http://www.worldpages.com/
c. http://find.person.superpages.com/

Some examples of fee-based services include:

a. Credit bureaus
b. LexisNexis
c. http://www.usatrace.com
d. http://www.555-1212.com
e. http://www.skipease.com/

107. State agencies are encouraged to coordinate with other state agencies to obtain information about a debtor. For example, the Oregon Department of Transportation (Driver and Motor Vehicle Services and Motor Carrier Transportation Division), Secretary of State (Corporation Division), or Oregon Employment Department may have additional information to assist in locating a debtor.

108. Each county clerk's office has information such as marriage licenses, death certificates, and a list of real property owned by the debtor. Each county assessor's office maintains property records which may identify the name of current and previous owners.

OREGON ACCOUNTING MANUAL

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES STATEWIDE POLICY	NUMBER 35.30.80	SUPERSEDES 35.30.80 dated 02/09/2018
	EFFECTIVE DATE 07/16/2018	PAGE NUMBER Pages 1 of 6
Division **Chief Financial Office**	REFERENCE/AUTHORITY ORS 293.240 ORS 293.252 ORS 293.590	
Policy Owner Statewide Accounting and Reporting Services		
SUBJECT Accounts Receivable Management-Account Activity: Offers in Compromise	APPROVED SIGNATURE ***George Naughton, Chief Financial Officer*** ***Signature on file***	

PURPOSE
This policy adds guidelines established by the Department of Administrative Services (DAS) and compromise criteria approved by the Attorney General (AG) for agencies to use when adopting criteria for determining when offers in compromise may be proposed or accepted by state agencies.

APPLICABILITY
This policy applies to all state agencies included in the State's annual financial statements, except for those specifically exempted by OAM 01.05.00.

FORMS/EXHIBITS/INSTRUCTIONS
None.

DEFINITIONS
Claim: A demand for payment, reimbursement, or compensation for injury or damage under law or contract, including but not limited to, a demand for payment due for delivery of goods or services.

Debt: A certain sum due and owing an agency which has accrued as a result of the delivery of goods or services or through contract, subrogation, tort, or operation of law regardless of whether there is an outstanding judgment for that sum.

Offer in Compromise, as used below, refers to: (1) a person who is indebted to a state agency and offers to make a partial payment in full satisfaction of a **debt** or (2) when a state agency that is owed a **debt**, offers to accept a partial payment in full satisfaction of a **debt**.

Reasonable effort: The use of available, legal, and cost-effective means that are appropriate to the circumstances of the collection effort. A means of collection may be considered cost-effective when it is reasonable to expect the costs of collection to be less than the **debt**. If the anticipated recovery would be only marginally in excess of the cost of collection, it may be reasonable to exert little or no effort to collect the **debt**.

Click here for other **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS

The criteria referenced in this policy do not apply to **debts** owed to a state agency for which a procedure for compromise, release, discharge, waiver, cancellation or other form of settlement for the **debt** for reasons other than uncollectibility is by law made specially applicable to the state agency. Additionally, an **offer in compromise** may not be offered or accepted for a criminal money judgment that requires a defendant to pay restitution or a compensatory fine.

POLICY

101. Agency management must ensure that agency personnel employ appropriate and lawful practices in the management and collection of accounts receivable.

102. Except as otherwise provided below, DAS and the AG have approved the following criteria for determining when an **offer in compromise** may be proposed or accepted by state agencies.

CRITERIA FOR DETERMINING WHETHER TO
PROPOSE OR ACCEPT AN **OFFER IN COMPROMISE** OF STATE **DEBT**

A state agency, as defined in **ORS 293.235**, may propose or accept an offer in compromise for settlement of a **debt** owed to the agency, if it has made **reasonable efforts** to collect the **debt** and one or more of the following is true:

1. The **debt** has not been liquidated through a judicial or administrative process and it is reasonably estimated that the cost of doing so is likely to exceed the amount of the **debt**.

2. The **debt** has not been liquidated through a judicial or administrative process and the state agency reasonably determines that the debtor may be able to successfully assert factual or legal defenses to its liability for the **debt**.

3. The debtor has a potentially valid **claim** against the state agency arising out of the same transaction or occurrence that gave rise to the debt, and the debtor agrees to release this **claim** as part of the **offer in compromise**.

4. The state agency makes reasonable efforts to identify assets belonging to the debtor and determines that the debtor does not, and will not for the foreseeable future, own or have the right to own assets from which the state agency could fully collect the **debt**.

5. The debtor submits a financial statement, or other documentation, which demonstrates to the state agency's satisfaction that the debtor's liabilities exceed assets and future earnings potential to such an extent that collection of the entire **debt** is unlikely.

6. It is reasonably estimated that the cost of collecting the **debt** would equal or exceed the amount of the **debt**.

7. The debtor is deceased, and there are insufficient assets in the debtor's estate from which the state agency could fully collect the **debt**.

8. The debtor is a corporation or a limited liability company that is not, and for the foreseeable future will not be, engaged in any income-producing activity, and there are insufficient assets from which the agency could fully collect the **debt**.

9. The Oregon Department of Revenue Other Agency Accounts (DOR-OAA) or a private collection firm (PCF) has unsuccessfully attempted to collect the **debt** pursuant to **ORS 293.231**.

10. The **debt** has been liquidated with a judgment, administrative order or distraint warrant that has expired or is no longer enforceable.

11. The debtor's assets are exempt from execution or garnishment.

103. For the purpose of proposing or accepting an **offer in compromise**, agency management must adopt criteria for determining when **offers in compromise** may be made per **ORS 293.240**. The criteria must be approved by DAS and the AG. An agency does not need to submit its compromise criteria to DAS or the AG for approval if it adopts the approved criteria referenced in paragraph 102; however, the agency shall document the adoption of such criteria within their policies and procedures.

104. Agencies that desire criteria other than those referenced in paragraph 102 shall submit such criteria to DAS for approval. DAS will coordinate with the AG to determine if the submitted criteria is sufficient and will notify the agency of the outcome.

105. Agencies shall make **reasonable efforts** to fully collect the debt before an **offer in compromise** is proposed or accepted.

106. The state agency to which a debt is owed retains the sole discretion to determine whether to propose or accept an **offer in compromise** in each particular case. An accepted **offer in compromise** should generally correspond to the debtor's ability to pay the debt or the agency's ability to collect the debt. Agencies may require the debtor to provide such information as deemed necessary for the agency to determine the debtor's ability to pay. Such information may include, but is not limited to: household information including listing of residents; employment verification such as pay stubs or tax returns; listing of debtor's expenses; or proof of eligibility for a state benefit assistance program.

107. If DOR-OAA, or a PCF, is collecting a **debt** owed to a state agency, it may only accept an **offer in compromise** for settlement of that **debt**:

a. In accordance with the criteria adopted by the state agency to which the **debt** is owed; <u>and</u>

b. With the authorization of the state agency to which the **debt** is owed.

108. Agencies shall document the specific criteria by which the account is determined to qualify for the compromise using the Offer in Compromise Approval form (**75.35.14.FO**), or other format established by the agency. The documentation shall be kept with the account or documented in the agencies system of record to be used for future reference or audit support.

109. Any approved **offer in compromise** shall be subject to the debtor's completed payment of the agreed upon balance. If the debtor does not make the required payment(s), then the compromise agreement shall be nullified.

110. Agencies approving an **offer in compromise** may provide the debtor with a compromise letter (sample provided in paragraph 113) that includes, at a minimum, the following information:

a. Debtor name
b. Description of the **debt**
c. Current balance
d. Amount compromised by agency
e. Balance owed by debtor
f. Deadline for payment of balance or any special terms or conditions of the compromise
g. Statement that failure to abide by the terms or deadlines will result in agreement being nullified and the full amount of the **debt** remaining due and owing

111. Agencies shall document the terms of the **offer in compromise** using a written agreement (sample provided in paragraph 114) signed by both parties that includes the terms as stated in the letter referenced in paragraph 110. The compromise agreement must include notification of the actions the agency will take if the debtor does not fulfill the requirements of the agreement, such as: the accrual of interest, the assignment of the account to DOR-OAA and the addition of collection fees if assigned.

112. Agencies may choose to allow the debtor to establish a payment plan for the balance remaining in accordance with **OAM 35.30.60**; however, agencies should consider whether a payment plan is appropriate if the debtor previously agreed to a payment plan and did not submit payments per the terms of the payment plan.

PROCEDURES

113. **Sample Debt Compromise Letter:** Below is a sample of a letter that agencies may use to clarify agency expectations in regards to a **debt** compromise.

{date}

{debtor name}
{address}
{city, state, zip}

RE: Debt compromise for {liabilities}

Dear {debtor name}:

The {agency name} has reviewed the circumstances regarding your debt for {description of the debt—include agency or court case number if applicable } in the amount of {original balance}. Per our conversation on {date}, {agency name} hereby agrees to compromise your debt in the amount of {amount compromised by agency}, subject to the terms below.

This payment of ${balance owed by debtor} is to be paid by {deadline for payment or special terms}. WE MUST RECEIVE YOUR PAYMENT ON, OR BEFORE, {THE DUE DATE}. THERE IS NO GRACE PERIOD. Any failure to meet the payment terms will result in this agreement being nullified and you shall be required to pay the entire amount of the debt, together with interest and any applicable fees. If you fail to meet the payment terms, {agency name} shall collect the full balance of your debt and may immediately assign your debt to the Oregon Department of Revenue for collection without further notice to you or right to a hearing. If your debt is assigned for collection you may also be responsible for collection fees of up to {x}%.

Enclosed are two copies of the Compromise Agreement. Please sign the original and return to {agency name} by {date}, the second copy is for your records. Failure to return the original with your signature by the deadline shall nullify this agreement.

Please note that this debt compromise only applies to the specific debt referenced above It does not apply to any other debts that you may owe to this agency, or to any other agency, department, commission, board or instrumentality of the State of Oregon. You shall remain fully liable for any such other debts.

If you have any questions, please call me at {phone number}.

{signature block}
Enclosures

114. **Sample Debt Compromise Agreement:** Below is a sample of an agreement that agencies may use to document the **debt** compromise including the signatures of both the agency and the debtor.

{Agency name), referred to as CREDITOR and {debtor name}, referred to as DEBTOR, agree to compromise the indebtedness between them arising from {description of the debt—include agency or court case number if applicable} in the amount of {original balance}.

CREDITOR, hereby agrees to compromise the indebtedness due from the DEBTOR on the following terms and conditions:

The CREDITOR and the DEBTOR agree that the current balance due is ${current balance}. **The parties agree that the DEBTOR shall pay and the CREDITOR shall accept the sum of ${balance owed by DEBTOR} as full payment on the debt.** This results in a compromised amount of {amount of compromise}. The acceptance of the payment will serve as a complete discharge of all monies due to CREDITOR for this debt. The payment shall be made in {note the form of payment}. This compromise is expressly conditioned upon DEBTOR signing this agreement and returning to CREDITOR with the payment of ${balance owed by DEBTOR} being received by {payment due date}.

Any failure to meet the payment terms will result in this agreement being nullified and {agency name} shall collect the full balance of your debt and may result in immediate submission of your account to the Oregon Department of Revenue for collection without further notice to you or right to a hearing. If your account is assigned for collection you may also be responsible for collection fees of up to {x}%.

If the DEBTOR fails to pay the agreed upon sum by {payment due date}, the DEBTOR acknowledges that the original debt amount owed by the DEBTOR will be reinstated in full, and immediately due; at which time, the DEBTOR shall be responsible for interest at the rate of {X}% per ORS {XXX.XXX} and any additional collection fees of up to {X}% per ORS 293.231. In addition, the CREDITOR may assign the debt to the Department of Revenue for further collection action.

This agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns.

This agreement only applies to the debt referenced above. It does not apply to any other debts that you may owe to this agency, or to any other agency, department, commission, board or instrumentality of the State of Oregon. Debtor remains fully liable for any such other debts.

Debtor	Creditor
Signature______________________________	________________________________
Printed Name__________________________	________________________________
Title__________________________________ (Owner/Partner/Officer)	________________________________
Date__________________________________	________________________________

OREGON ACCOUNTING MANUAL

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES STATEWIDE POLICY	**NUMBER** 35.30.90	**SUPERSEDES** 35.30.90 dated 08/22/2018
	EFFECTIVE DATE 04/24/2023	**PAGE NUMBER** Pages 1 of 5
Division **Chief Financial Office**	**REFERENCE/AUTHORITY** ORS 293.590	
Policy Owner Statewide Accounting and Reporting Services		
SUBJECT Accounts Receivable Management – Account Activity: Coordination of Vendor Payments	**APPROVED SIGNATURE** ***Kate Nass, Chief Financial Officer*** ***Signature on file***	

PURPOSE
This policy provides guidance on accounting for coordination of vendor payments to recoup liquidated and delinquent debt owed by vendors.

APPLICABILITY
This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

FORMS/EXHIBITS/INSTRUCTIONS
None

DEFINITIONS
Administrative hold: the process by which a state agency temporarily stops a vendor payment to determine if the vendor owes debts to another state agency.

Alternative payment methods: Payments issued through systems that interface accounts payable activity, at the summary level, into the Statewide Financial Management Application (SFMA) from a payment subsystem. This also includes payments issued through the State P-Card of Oregon Transaction System (SPOTS) card payments.

Debtor list: a list of debtor names and tax identification numbers associated with individuals or businesses that owe money to a state agency. The debtor list is limited to debts assigned to, or originating within, the Department of Revenue (DOR) for collections. Debtors exempt from garnishment, as defined by DOR, are not included in the debtor list.

Delinquent debt: an account receivable for which the state agency did not receive payment by the original due date.

Liquidated debt: an account receivable for which the debtor was provided notification of the debt amount and an opportunity to dispute the debt. The complete definition of liquidated is available in **OAM 35.30.30**.

Vendor: for purposes of this OAM only, any entity or individual that receives a payment or distribution from a state agency is considered a vendor.

Click here for other **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS

Payment of federal grant moneys, whether issued to contractors or sub-recipients as defined in **OAM 30.40.00**, are not subject to garnishment.

The requirements of this policy do not apply to suspense accounts used to deposit receipts temporarily pending the determination of the proper account or accounts where the deposits should be posted.

POLICY:

101. Agency management must ensure that agency personnel employ appropriate practices in the collection of accounts receivable.

102. The State's policy is to make reasonable efforts to recoup debts owed to the state by reducing payments to **vendors**, where allowed by state and federal laws and regulations, who owe the state debt using an **administrative hold** and garnishment process.

103. Agency management is responsible for determining whether a **vendor** payment shall be garnished. Further, agency management shall apply good judgment and independent thinking when determining not to garnish a **vendor** payment where otherwise allowed by law or regulation. When agency management determines that it will not garnish a **vendor** payment the agency must document the basis for its decision.

PROCEDURES:

104. DOR shall establish separate interagency agreements (IAA) with DAS Financial Business Systems (FBS), and each agency that interfaces summary level accounts payable activity into SFMA, to allow for the exchange of the **debtor list**. The IAA shall include, at a minimum, provisions associated with disclosure of confidential information, data storage, and **debtor list** file format.

105. Daily DOR shall create and provide a **debtor list** for state agencies that have established IAAs to perform a data match between **vendors** and debts owed to the state.

106. FBS shall conduct a data match between SFMA **vendors** and the **debtor list** on a daily basis and inactivate affected **vendor** profiles to prevent the issuance of payments to **vendors** who owe money to the state.

107. Agencies that interface summary level accounts payable activity into SFMA shall conduct a data match between agency **vendors** and the **debtor list** to prevent the issuance of payments to **vendors** who owe money to the state.

    a. The recommended data match frequency is on a daily basis, however, agencies that interface summary level accounts payable activity into SFMA may choose a data match frequency that makes business sense to them while being cognizant of **ORS 293.254(1),** which directs Executive Branch agencies to reduce payments to vendors to recover debts owed by those vendors.
    b. In the event an agency chooses a data match that is less frequent than daily, they must document the rationale and obtain approvals within their agency as appropriate.

108. DOR, in partnership with state agencies, shall develop and maintain a mechanism for state agencies to notify DOR when a payment is due to a **vendor** included on the **debtor list**.

109. When payment is due to a **vendor** who owes money to the state, the paying agency shall notify DOR of the pending payment using the mechanism identified in paragraph 110. Agencies shall place the **vendor** payment on an **administrative hold** pending response from DOR.

110. DOR shall review agency **vendor** match notifications on a daily basis and respond, electronically, to the paying agency no later than five (5) business days from the date of the initial notification.

111. As part of the review process, DOR shall identify any Federal Employer Identification Number (FEIN) / Social Security Number (SSN) and name mismatches and work with FBS, or each agency that interfaces summary level accounts payable activity into SFMA, to determine the correct FEIN / SSN and name combination. DOR shall research and resolve the FEIN / SSN and name mismatches, or remove them from the **debtor list**, within three (3) business days from the date the mismatch was identified.

112. The paying agency shall process the **vendor** payment in accordance with the response provided by DOR (e.g. garnishment) and standard accounts payable transaction processing.

113. Agencies that do not receive a response from DOR within the timeline referenced in paragraph 110 shall immediately remit the payment referenced in paragraph 109 directly to the **vendor**.

114. Upon receipt of a garnishment, the paying agency shall issue payment, up to the value of the garnishment, using the vendor's FEIN or SSN and made payable to the "Department of Revenue".

    a. It is essential that the name "Department of Revenue" be identified as the payee rather than the acronym DOR.
    b. It is also essential that the garnishment ID number, as provided in the garnishment letter, is visible on the face of the check or payment stub. This is achieved with payments issued from SFMA by including the garnishment ID in the SFMA invoice description field.

115. If the payment referenced in paragraph 111 is in excess of the garnishment, the paying agency shall issue the remaining payment balance using the **vendor's** FEIN or SSN and made payable to the **vendor**.

116. After the paying agency issues payment in response to DOR's garnishment letter, this specific garnishment is complete. If the agency has subsequent payments for the same vendor and the SFMA vendor profile is inactive and includes the notation "Please contact DOR", the paying agency must send a new notification to DOR for each additional payment owed to the inactive vendor. Agencies shall not submit multiple payments to DOR in response to a single garnishment letter.

117. Agencies are responsible for retaining garnishment records issued pursuant to this policy per the general records retention schedule documented in **Oregon Administrative Rule 166-300-0025(44)**.

118. Garnishment–related **vendor** disputes shall be directed to DOR as outlined in the garnishment letter. DOR will review and respond to all debtor disputes associated with **vendor** payments garnished per the procedures defined within this policy.

119. DOR shall establish internal procedures to ensure **vendor** payments directed to DOR as referenced in paragraph 116, are applied to the debtor's account and removed from the **debtor list** timely.

Alternative Payment Methods

120. Annually, Statewide Accounts Receivable Management (SWARM) will run an Enterprise level report of SPOTS card transactions processed during the prior year, for the purpose of identifying vendors who received payments of $100,000 or more. SWARM will notify the agency responsible for making the most payments to each vendor.

121. Upon notification from SWARM, these agencies will set up each applicable vendor's profile in SFMA if the profile does not already exist in SFMA. SWARM will confirm that requested applicable vendors have been set up in SFMA.

122. Agencies shall adopt a transaction payment threshold for **alternative payment methods** only, to determine when additional procedures are required before payments can be made.

   a. The recommended threshold is $10,000, however, agencies may choose a threshold that makes business sense to them while being cognizant of **ORS 293.254(1)**, which directs agencies to reduce payments to vendors to recover debts owed by those vendors.
   b. In the event an agency chooses a threshold other than $10,000 per transaction, they must document the rationale and obtain approvals within their agency as appropriate. The approved rationale shall be provided to SWARM within 30 days of approval.

123. Agencies preparing to make payments using **alternative payment methods** that are above their agency's determined threshold, must first check the SFMA vendor's profile.

124. If the SFMA vendor's profile status is active or the vendor is not in SFMA, the agency may proceed with issuing payment to the vendor using **alternative payment methods**. Please refer to **OAM 55.30.00** for guidance on making payments using the SPOTS card.

125. If the SFMA vendor's profile status is inactive and includes the notation "Please contact DOR", the paying agency shall notify DOR of the pending payment using the mechanism identified in paragraph 110. Agencies shall place the **vendor** payment on an **administrative hold** pending response from DOR.

126. If DOR returns a garnishment, the agency must issue payment via the warrant process to DOR through SFMA or **alternative payment method.** Please note that payment may not be made to DOR using the SPOTS card. The agency's payment to DOR must be in accordance with paragraphs 114 and 115.

127. If DOR directs the agency to proceed with issuing payment to the vendor or if the agency does not receive a response from DOR within the timeline referenced in paragraph 110, the agency may issue payment to the vendor, whether via an **alternative payment method** or warrant.

REPORTING REQUIREMENTS

128. Agencies that interface summary level accounts payable activity into SFMA and have agreements with DOR as identified in paragraph 104 are required to report to SWARM the following monthly information:

   a. Number garnishment payments issued to Department of Revenue pursuant to this OAM.
   b. Total dollar amount of garnishment payments issued to Department of Revenue pursuant to this OAM.

129. DOR shall report to the SWARM the following information on a semi-annual basis as defined in paragraph 130:

   a. Number of notifications received as referenced in paragraph 110.
   b. Number of garnishments issued based on the notifications received.
   c. Number of days to respond to notifications received as referenced in paragraph 111.
   d. Number and total dollar value of **vendor** payments received under paragraph 114, summarized by agency for those agencies where summary information will not lead to potential disclosure of taxpayer information.

130. DOR shall submit the report referenced in paragraph 129 as follows:

Reporting period	Due Date
July 1-December 31	January 31
January 1-June 30	July 31

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<table>
<tr><td rowspan="2">DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

STATEWIDE POLICY</td><td>NUMBER

35.40.10</td><td>SUPERSEDES

35.40.10
dated 07/01/2018</td></tr>
<tr><td>EFFECTIVE DATE

12/01/2018</td><td>PAGE NUMBER

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<tr><td>Division
Chief Financial Office</td><td colspan="2" rowspan="2">REFERENCE/AUTHORITY

ORS 291.015
ORS 293.231
ORS 293.233
ORS 293.250
ORS 293.590
OAR 122-085-0100 thru 0160</td></tr>
<tr><td>Policy Owner
Statewide Accounting and Reporting Services</td></tr>
<tr><td>SUBJECT
Accounts Receivable Management-Account Assignments: Assignments and Exemptions</td><td colspan="2">APPROVED SIGNATURE

George Naughton, Chief Financial Officer
Signature on file</td></tr>
</table>

PURPOSE
This policy provides criteria to determine when Mandatory Collection Agency Transfer (MCAT) accounts are subject to assignment or exempt from assignment to the Department of Revenue Other Agency Accounts (DOR-OAA) unit under ORS 293.231. This policy also provides information on how a state agency may request an exemption from the statutory assignment timeframe referenced in ORS 293.231.

APPLICABILITY
This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

FORMS/EXHIBITS/INSTRUCTIONS
None.

DEFINITIONS
Account: A debt relationship between a state agency and an individual or an entity, which may include multiple obligations and time periods.

Consensual Security Interest: An enforceable interest in real or personal property voluntarily created by a debtor to secure an obligation to pay a debt (e.g. a mortgage, trust deed, security agreement, or pledged securities).

Delinquent (account): A receivable for which payment was not received by the initial due date. (The establishment of a payment agreement does not change the status of the delinquency.)

Hardship: Adverse circumstances, which significantly reduce a debtor's ability to pay. Examples include, but are not limited to, interruptions of income due to family or medical emergencies, job layoff or job skill retraining, long-term/permanent disability, social security, or terminal illness.

Imprisoned: An individual who is currently incarcerated.

Litigation: A dispute when the account:

- Has been referred to the Department of Justice;
- Is in the administrative appeal or hearing process; or
- Is in arbitration, mediation, or in the state or federal court system, including bankruptcy.

Liquidated (account): Has the meaning given in **OAM 35.30.30**. Generally speaking, a liquidated account is one in which:

- The amount of the debt is known,
- The debtor has been notified of the debt, and
- The debtor has been given an opportunity to dispute the debt.

Mandatory Collection Agency Transfer account (MCAT account): An account that is:

- Liquidated,
- Delinquent, and
- Not prohibited by law from being transferred to a collection firm.

MCAT eligibility date: Refers to the latter of the following dates:

- The date the account receivable became both liquidated and delinquent; or
- The date the MCAT account exemption expires.

Non-Consensual lien: A lien established by operation of law, such as a judgment with a financial obligation or the recording of an administrative record (e.g. agency distraint warrant or civil penalty final order).

Payment: A voluntary amount of money paid by a debtor to a state agency or an involuntary amount of money paid by a debtor through offset or garnishment.

EXCLUSIONS AND SPECIAL SITUATIONS

None.

POLICY

101. If a state agency does not receive any payments on an **MCAT account** during any 90-day period following the **MCAT eligibility date** for that account, the agency must review the account for assignment to the Department of Revenue Other Agency Accounts (DOR-OAA) Unit for full collections (**OAM 35.40.30**).

102. The state agency must assign **accounts** to DOR-OAA unless the account is subject to an exemption under paragraph 109 or 117.

103. MCAT accounts assigned to DOR-OAA will be transferred to a private collection firm (PCF) if no payment is received on the account within six months from the date of assignment. DOR-OAA may transfer the assigned MCAT accounts to a PCF prior to six months.

104. MCAT accounts returned to DOR-OAA by a PCF may be retained by DOR-OAA indefinitely or returned to the state agency upon request.

105. Paragraph 101 does not apply to accounts that originate in the Department of Revenue or the Employment Department; those accounts are required to be assigned one year from the **MCAT eligibility date** or the date of last payment, whichever is later.

106. Paragraph 101 does not apply to state agencies that the Department of Administrative Services Chief Financial Office (DAS CFO) has granted a time period exemption, as per paragraph 113.

107. Before a state agency may write-off an **account**, DOR-OAA must notify the state agency that the account is recommended for write-off, unless the law prohibits the account from assignment or the state agency has exempted the account from assignment as provided in paragraph 109 or 117.

108. A state agency may not make an offer for assignment contrary to applicable state or federal laws or regulations governing offers for assignment.

109. A state agency may, at its discretion, choose not to offer for assignment to DOR-OAA any **MCAT account** that:

a. Is secured by a **consensual security interest** in real or personal property;

b. Is a court judgment that includes restitution or a payment to the Department of Justice Crime Victims Assistance Section;

c. Is in **litigation**, including bankruptcy, arbitration or mediation;

d. Is a student loan owed by a student who is attending school;

e. Is owed to a state agency by a local or state government or by the federal government;

f. Is owed by a debtor who is hospitalized in a state hospital as defined in ORS 162.135, or who is on public assistance as defined in ORS 411.010, or who receives medical assistance as defined in ORS 414.025;

g. Is owed by a debtor who is **imprisoned**;

h. Is less than $100 including penalties;

i. Would, if assigned, result in a loss of federal funding or a loss of funding under a federal program;

j. Is owed by an estate and the state agency has received notice that the estate has closed;

k. Is eligible for suspension of collections as provided in ORS 305.155;

l. Would constitute a **hardship** if assigned, and assignment would be inconsistent with a state agency goal;

m. Is secured by a **non-consensual lien** against specific real or personal property identified by the state agency;

n. Is secured by a bond;

o. Is one of multiple **accounts** owed to the state agency by the same debtor, any one of which has received a payment within the preceding 90-day period, including **accounts** created and paid at the same time;

p. Is within the scope of a state agency specific exemption approved under paragraph 117;

q. Would result in the referral of a monetary penalty, fee, or tax under ORS Chapters 825 or 826 related to a motor carrier operating authority unless the closing audit of the motor carrier operating authority is final;

r. Is an account for which a wage garnishment has been served on the debtor's employer and no funds are available to the state agency because a wage garnishment or order to withhold earnings of higher priority currently prevents any funds from being applied to the state agency debt;

s. Arises from an administrative or judicial support order, judgment, or decree; or

t. Is owed by a corporation that is not and, for the foreseeable future, will not be engaged in any income-producing activity, and there are no assets from which the debt could be collected.

110. State agencies shall evaluate each **account** to determine the appropriate collection actions for **accounts** eligible to be exempted from collection assignment. While the exemptions listed in paragraph 109 allow a state agency to exempt an **account** from assignment, it doesn't prohibit the state agency from assigning the **account**. State agencies must exercise reasonable effort and due diligence to collect debts owed to the state agency.

111. When a state agency determines an **MCAT account** may be exempted from assignment, the state agency should document their conclusions using **OAM 75.35.01.FO** - Documentation for Self-Exempting Accounts (or equivalent). A state agency is not required to file this form with the DAS CFO, but the form is useful to explain the reasoning for exempting **accounts** in the event of an inquiry or in response to an audit of the state agency's **liquidated** and **delinquent accounts**.

112. If a state agency exercises the option to exempt an **account** from assignment, the state agency is responsible to continue to pursue reasonable efforts to collect the **account** and monitor the **account** exemption status. If the state agency later determines that the exemption no longer applies, the state agency must proceed with assignment of the **account** as required in paragraph 101.

113. To request an exemption from the 90-day assignment provision referenced in paragraph 101, a state agency must complete **OAM 75.35.11.FO** - Exemption From 90-day Turnover Request. If approved, the exemption request will permit either a 180-day turnover period or a 365-day turnover period.

114. State agencies must submit requests for the exemption from the 90-day turnover timeframe to the DAS CFO no later than March 31. Each approved request will begin the following July 1 and will be valid until June 30 of the subsequent fiscal year. For example, an approved request submitted in March 2018 will become effective from July 1, 2018 through June 30, 2020.

115. A state agency may not use such exemption until approved by the DAS CFO and may only apply the exemption to **accounts** with an **MCAT eligibility date** within the approved period.

116. The state agency's right to use the exemption terminates upon expiration of approved period. If the exemption expires and the state agency has not received approval from DAS CFO for another exemption for the subsequent two year period, all **accounts** must be assigned as required in paragraph 101.

117. A state agency may request that the DAS CFO approve one or more state agency specific exemptions under ORS 293.233 for classifications of **accounts** that are not exempt under paragraph 109. A state agency must submit a request for a state agency specific exemption from assignment on **OAM 75.35.02.FO** - Request for Exemption from Assignment.

118. A state agency may not use such exemption until approved by the DAS CFO and the exemption only applies to **accounts** with an **MCAT eligibility date** within the approved exemption period. In its written approval of the request, the DAS CFO may specify that the exemption is for a limited duration (not to exceed two fiscal years).

119. The state agency's right to use the exemption terminates upon expiration of the limited duration period.

OREGON ACCOUNTING MANUAL

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES STATEWIDE POLICY	**NUMBER** 35.40.20	**SUPERSEDES** 35.40.20 dated 02/09/2018
	EFFECTIVE DATE 07/01/2018	**PAGE NUMBER** Pages 1 of 2
Division **Chief Financial Office**	**REFERENCE/AUTHORITY** ORS 291.015 ORS 293.231 ORS 293.250 ORS 293.252 ORS 646.639	
Policy Owner Statewide Accounting and Reporting Services		
SUBJECT Accounts Receivable Management-Account Assignment: Collection Fees	**APPROVED SIGNATURE** ***George Naughton, Chief Financial Officer*** ***Signature on file***	

PURPOSE
This policy provides information and guidelines for adding the cost of collection when assigning liquidated and delinquent accounts to the Department of Revenue Other Agency Accounts (DOR-OAA) unit for collection in accordance with **ORS 293.231**.

APPLICABILITY
This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

FORMS/EXHIBITS/INSTRUCTIONS
None.

DEFINITIONS
Account: As used in this policy, refers to a debt owed to a state agency.

Click here for other **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS
None.

POLICY
101. Agency management must ensure that agency personnel employ appropriate practices in the collection and management of accounts receivable.

102. Agencies, unless prohibited by state or federal law or regulation, may add a collection fee to a liquidated and delinquent **account** when it is assigned to DOR-OAA. Agencies are encouraged to charge the fee as a means of reducing agency costs and encouraging debtors to make payment to avoid the additional fee.

103. **ORS 293.231** authorizes state agencies that assign liquidated and delinquent **accounts** to DOR-OAA to add a fee to be paid by the debtor to the amount of the debt; the fee may include amounts attributable to collections conducted by a private collection firm (PCF).

A fee may not be added unless the state agency provided notice to the debtor:

a. Of the existence of the debt;
b. That the debt may be assigned to DOR-OAA for collection;
c. That DOR-OAA may subsequently assign the account to a PCF; and
d. Of the amount of the fee that may be added to the debt.

104. DOR-OAA will remit collected funds, net of applicable collection fees, to the state agency as described in **OAM 35.40.30**.

PROCEDURES

105. Refer to **OAM 35.30.50** for guidance on providing notification to the debtor using a collection letter.

106. Refer to **OAM 15.35.00** for guidance on accounting entries for the collection fees.

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<table>
<tr><td rowspan="2">DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

STATEWIDE POLICY</td><td>NUMBER

35.40.30</td><td>SUPERSEDES

35.40.30
dated 02/09/2018</td></tr>
<tr><td>EFFECTIVE DATE

07/16/2018</td><td>PAGE NUMBER

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<tr><td>Division
Chief Financial Office

Policy Owner
Statewide Accounting and Reporting Services</td><td colspan="2">REFERENCE/AUTHORITY

ORS 183.413 ORS 183.502
ORS 291.015 ORS 293.226
ORS 293.231 ORS 293.233
ORS 293.250 ORS 293.252
ORS 293.590</td></tr>
<tr><td>SUBJECT
Accounts Receivable Management- Account Assignments: Department of Revenue Assignments</td><td colspan="2">APPROVED SIGNATURE

George Naughton, Chief Financial Officer
Signature on file</td></tr>
</table>

PURPOSE
This policy provides state agencies with guidelines for using the Department of Revenue Other Agency Accounts Unit (DOR-OAA) for the collection of liquidated and delinquent debt.

APPLICABILITY
This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

FORMS/EXHIBITS/INSTRUCTIONS
None

DEFINITIONS
Account: a relationship between a state agency and an individual or an entity.

Apportionment: The process of separating a joint tax return refund based on the adjusted gross income of each person.

Automated Clearing House (ACH): An electronic network for financial transactions in the United States.

Delinquent debt: An account receivable for which the state agency did not receive payment by the original due date.

Full collection services: Also referred to as "unrestricted", services may include: letters, phone calls, garnishments, skip tracing, asset location, and offset.

Liquidated debt: An account receivable for which the debtor was provided notification of the debt amount and an opportunity to dispute the debt. The complete definition of liquidated is available in **OAM 35.30.30**.

Offset Only: Also referred to as "restricted", services include intercepting refunds.

Click here for other **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS

None.

POLICY:

101. Agency management must ensure that agency personnel employ appropriate practices in the management and collection of accounts receivable.

102. The State's policy is to collect all accounts receivable due to state agencies and to establish procedures to effect the timely collection of all amounts owed.

103. Prior to assignment to DOR-OAA:

    a. Agencies must notify debtors of the assignment requirements referenced in paragraph 103(b). Refer to **OAM 35.30.50** for notification requirements.

    b. Agencies are must identify accounts subject to assignment in accordance with **OAM 35.30.30** and **OAM 35.40.10**. **Account** assignments shall be made via Revenue Online or in a format approved by DOR-OAA.

    c. Agencies shall determine whether to assign exempt liquidated and delinquent **accounts** referenced in **OAM 35.40.10** to DOR-OAA for **offset only** or for **full collection services**. **Accounts** assigned for offset only must include a social security number (refer to paragraph 103(e)).

    d. Agencies may not assign a liquidated and delinquent **account** to DOR-OAA for **full collection services** and **offset only** at the same time; full collection services includes offset recovery.

    e. Agencies that obtain the social security number directly from the debtor may only provide DOR-OAA the debtor's social security number if the debtor was provided notification as outlined in OAR 122-085-0200. A social security number obtained from a third party via skip tracing (refer to **OAM 35.30.70**) may be provided to DOR-OAA without notifying the debtor in advance.

104. Agencies shall determine the level of service to be performed prior to assigning **accounts** to DOR-OAA for collections. The level of service performed by DOR-OAA and the fees for providing the service shall be documented in a format determined by DOR-OAA.

105. Agencies shall request DOR-OAA to create agency specific program code(s). Program codes may be used to separate:

    A. Accounts assigned for **full collection service** from accounts assigned for **offset only**;

    B. **Full collection service accounts** eligible for the issuance of distraint warrants from those that are not;

    C. Accounts where the cost of collection is passed to the debtor (refer to **OAM 35.40.20**); and

    D. Accounts by agency program area.

106. Agencies must determine whether an **account** qualifies for DOR-OAA to issue a distraint warrant when assigned for **full collection services**. DOR-OAA may only issue distraint

warrants for **accounts** that were liquidated in accordance with the Administrative Procedures Act (refer to **OAM 35.30.30**).

107. At the time an **account** is assigned to DOR-OAA, agencies must provide information regarding the account as required by DOR-OAA.

108. Agencies cannot continue to pursue collection from a debtor after assigning the **account** to DOR-OAA for **full collection services**. (Refer to paragraph 117 to recall accounts if applicable).

109. DOR-OAA has authority to determine the best avenue for collecting assigned **accounts** within the terms of service agreed upon by the assigning agency as referenced in paragraph 104.

110. Agencies must maintain **account** balances. Agencies are responsible for notifying DOR-OAA of any account balance changes (e.g. adjustments or payments received by the agency). Notifications may be made through Revenue Online or in a format approved by DOR-OAA.

111. Agencies shall handle disputed assigned accounts in accordance with the level of service agreed to between the agency and DOR-OAA.

112. DOR-OAA may intercept refunds and apply those amounts to offset liquidated and delinquent **accounts** assigned for **offset only** or **full collection services**. A social security number is required to intercept state tax refunds (refer to paragraph 103(e)).

113. DOR-OAA may report **liquidated** and **delinquent account** balances to the United States Treasury Offset Program State Reciprocal Program to allow for federal non-tax payments to be intercepted and applied towards the liquidated and delinquent **account** balances.

114. DOR-OAA will notify the debtor directly of any offsets; the notification will include procedures for the debtor to request a hearing to dispute the offset or to request an **apportionment**.

115. DOR-OAA will review and respond to all **apportionment** requests. DOR-OAA will charge any resultant change in the refund amount back to the assigning agency. DOR-OAA will send notification of the apportionment request and the outcome to the assigning agency in a format determined by DOR-OAA.

116. **ORS 293.231** requires DOR-OAA to assign all **liquidated** and **delinquent accounts** received under paragraph 103(b) to a private collection firm (PCF) if a payment has not been received within six months from the date the account was assigned to DOR-OAA. DOR-OAA may assign these **accounts** to a PCF prior to six months.

117. Agencies have the authority to and may request DOR-OAA to return an assigned **account** via Revenue Online or in a format approved by DOR-OAA. The agencies shall document the reasons for recalling the account.

118. DOR-OAA will recommend **accounts** for write-off to the assigning agency once all reasonable efforts to collect the **account** have been exhausted.

119. Agencies shall evaluate **accounts** recommended for write-off under paragraph 118 for uncollectibility as outlined in **OAM 35.50.10**.

120. DOR-OAA shall continue to monitor **accounts** recommended for write-off for subsequent collectibility as referenced in **ORS 293.245**. Refer to **OAM 35.50.10** for guidance on subsequently collectible **accounts**.

121. DOR-OAA will provide monthly reports to each agency via Revenue Online or in a format approved by DOR-OAA. The reports will include **account** activity or status for all **accounts** assigned to DOR-OAA and PCFs.

122. Agencies should reconcile agency **account** balances with the DOR-OAA reports regularly. Agencies are responsible for contacting DOR-OAA to resolve any reconciliation issues.

123. Agencies must report all **liquidated** and **delinquent account** assignment activity to the Legislative Fiscal Office as described in **OAM 35.60.10**.

124. DOR-OAA will remit moneys collected, less the applicable collection fee, to the respective agencies monthly via ACH. This includes moneys collected by PCFs.

125. Agencies shall record moneys remitted by DOR-OAA in accordance with **OAM 15.35.00**.

126. Debtor overpayments will be resolved in accordance with the agreement between DOR-OAA and the assigning agency.

OREGON ACCOUNTING MANUAL

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES STATEWIDE POLICY	**NUMBER** 35.50.10	**SUPERSEDES** 35.50.10 dated 11/14/2013
	EFFECTIVE DATE 07/01/2018	**PAGE NUMBER** Pages 1 of 3
Division **Chief Financial Office**	**REFERENCE/AUTHORITY** ORS 291.015 ORS 293.231 ORS 293.240 ORS 293.245 ORS 293.250 ORS 293.252	
Policy Owner Statewide Accounting and Reporting Services		
SUBJECT Accounts Receivable Management - Uncollectible Accounts: Write-off Guidelines	**APPROVED SIGNATURE** ***George Naughton, Chief Financial Officer*** ***Signature on file***	

PURPOSE
This policy outlines criteria approved by the Department of Justice for the write-off of uncollectible accounts pursuant to ORS 293.240(2).

APPLICABILITY
This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

FORMS/EXHIBITS/INSTRUCTIONS
None.

DEFINITIONS
Debt: A sum due and owing to an agency which has accrued as a result of the delivery of goods or services or through contract, subrogation, tort, or operation of law regardless of whether there is an outstanding judgment for that sum.

Reasonable effort: The use of available, legal, and cost-effective means that are appropriate to the circumstances of the collection effort. A means of collection may be considered cost-effective when it is reasonable to expect the costs of collection to be less than the **debt**. If the anticipated recovery would be only marginally in excess of the cost of collection, it may be reasonable to exert little or no effort to collect the debt.

Write-off: Receivables that are determined to be uncollectible by management and have been removed from the agency's accounting records; the liability for the **debt** remains. Reductions due to compromise, release, discharge, waiver, cancellation, bankruptcy or other form of settlement are not write-offs.

Click here for other **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS

The criteria referenced in this policy do not apply to **debts** owed to a state agency for which a procedure for compromise, release, discharge, waiver, cancellation or other form of settlement for the **debt** for reasons other than uncollectibility is by law made specially applicable to the state agency.

POLICY

101. Agency management must ensure that agency personnel employ appropriate and lawful practices in the management and collection of accounts receivable.

102. State agencies are required to make all **reasonable efforts** to collect receivables due to it, which include the provisions outlined in **OAM 35.40.10**.

103. State agencies must adopt criteria to determine when debt is uncollectible. The criteria must be approved by the Attorney General and include the right of offset. An agency does not need to submit its **write-off** criteria to the Department of Justice (DOJ) for approval if it adopts the write-off criteria outlined in paragraph 104.

104. Attorney General Approved Criteria for Uncollectibility:

Except where the Attorney General has advised a particular agency otherwise, the following criteria for uncollectibility are approved for adoption and use by all state agencies.

Any **debt**, including interest and/or penalties, or any portion of the debt, may be considered uncollectible when the debtor has no money or other thing of value owing or held by any state agency that has not been credited to the debt, and it is reasonable to conclude, after all **reasonable efforts** to collect the debt have been made, that one of the following is true:

1. The debtor does not and will not for the foreseeable future own or have the right to own assets from which the state agency could collect the debt. (W01)

2. It is reasonably estimated that the cost of collecting the debt would equal or exceed the amount of the debt. (W02)

3. The debtor is deceased, and there are no assets in the debtor's estate from which the state agency could collect the debt. (W03)

4. The debtor is a corporation or a limited liability company that is not and for the foreseeable future will not be engaged in any income-producing activity, and there are no assets from which the agency could collect the debt. (W04)

5. The debtor's estate is subject to a pending bankruptcy proceeding in which it is reasonable to conclude that the debt will be discharged and that the state agency will receive none or an insubstantial share of the assets of the bankruptcy estate. (W05)

6. The agency is and will be for the foreseeable future unable to collect from the debtor or from anyone owing the debtor money or holding assets of or from the debtor. (W06)

7. The state agency is unable to locate the debtor despite having made reasonable efforts to do so. (W07)

8. The debt has been liquidated by reduction to a court judgment, administrative order, or distraint warrant, which has subsequently expired. (W08)

9. Other agency specific Attorney General approved criteria. (W09)

105. **ORS 293.240** stipulates the circumstances under which a state agency may **write-off** uncollectible **debts** that are due the agency. If an agency has made all **reasonable efforts** to collect the money owed to it, as referenced in paragraph 102, and has determined that the money and any interest and penalties on the money are uncollectible, as described in paragraph 103, the agency may write-off the debt.

106. A state agency may not **write-off** a **debt** that is subject to assignment under **OAM 35.40.10** and has not been assigned.

107. Once accounts are assigned to the DOR Other Agency Accounts (DOR-OAA) unit and DOR-OAA recommends the account for **write-off** to the state agency (refer to **OAM 35.40.30**), the state agency must evaluate the account to determine if it is uncollectible as outlined in paragraph 103 because the DOR-OAA recommendation does not, by itself, establish that the **debt** is “uncollectible” within the meaning of **ORS 293.240**.

108. State agencies must document efforts made, actions taken and applicable criteria for **write-off**. The agency should include written evidence in its files to show that they have made all **reasonable efforts** to collect the **debt**, and that the debt is uncollectible in accordance with criteria for uncollectibility as outlined in paragraph 103. The Write-off Certification form (**75.35.13.FO**) may be used as such written evidence.

109. State agencies that enter **write-off** transactions into R*STARS shall enter the three-digit code, provided in paragraph 104 (W01, W02, W03…), in the multi-purpose code (MPCD) field to identify the criteria for uncollectibility used to support writing off the **debt.**

110. Write-off transactions processed during the fiscal year must be reported annually per **OAM 35.60.10**.

111. If a **debt** previously written off pursuant to **ORS 293.240** subsequently becomes collectible, efforts to collect the money owed shall proceed. The original **write-off** transaction shall be reversed in the agency’s financial statements.

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<tr><td>Policy Owner
Statewide Accounting and Reporting Services</td></tr>
<tr><td>SUBJECT
Accounts Receivable Management – Receivable Reporting: Reporting Liquidated and Delinquent Accounts</td><td colspan="2">APPROVED SIGNATURE

George Naughton, Chief Financial Officer
Signature on file</td></tr>
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PURPOSE
This policy defines state agency liquidated and delinquent account reporting requirements.

APPLICABILITY
This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

FORMS/EXHIBITS/INSTRUCTIONS
Agency Certification: Write-off, Abated, and Canceled Debt form (**75.35.15.FO**)

DEFINITIONS
Delinquent debt: an account receivable for which the state agency did not receive payment by the original due date.

Liquidated debt: an account receivable for which the debtor was provided notification of the debt amount and an opportunity to dispute the debt. The complete definition of liquidated is available in **OAM 35.30.30**.

Click here for other **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS
None.

POLICY
101. Agency management must ensure that agency personnel employ appropriate practices in the management of accounts receivable.

102. Agency management must ensure all fiscal year liquidated and delinquent account activity is reported to the Legislative Fiscal Office (LFO) annually by October 1. Agencies with no liquidated and delinquent account activity are required to complete the "Nothing to Report" process as described in the Reporting Manual.

(a) An updated Liquidated and Delinquent Account Reporting Manual will be distributed to agency representatives annually. The Reporting Manual includes instructions for completing and submitting the annual report to LFO.

(b) Agencies shall use the LFO Delinquent Account Reporting System to report fiscal year liquidated and delinquent account activity. Agencies shall use the Reporting Manual to properly report data to LFO.

103. Agency management shall verify that the information reported to LFO referenced in paragraph 102 is accurate and complete prior to submitting the final report.

104. Agency management shall certify to the Department of Administrative Services annually, by October 1, the values of liquidated and delinquent accounts written off, abated, and canceled using the Agency Certification: Write-off, Abated, and Canceled Debt form (**75.35.15.FO**). Values included on the certification form shall reconcile to the applicable values reported to LFO in paragraph 102.

105. Agencies with fiscal year liquidated and delinquent account ending balances totaling $50 million or more must submit an additional report to the Legislative Assembly committees related to ways and means annually by December 31 that:

(a) Describes major categories of liquidated and delinquent accounts held by the state agency;

(b) Describes circumstances under which the state agency writes off or adjusts liquidated and delinquent amounts or removes an account from liquidated and delinquent status;

(c) Describes actions undertaken by the state agency to reduce the amount of liquidated and delinquent debt owed to it at the end of each fiscal year; and

(d) Sets forth a plan for future actions that will reduce the amount of liquidated and delinquent debt owed to the state agency at the end of each fiscal year and describes any additional resources that are necessary to carry out the plan.

OREGON ACCOUNTING MANUAL

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES STATEWIDE POLICY	**NUMBER** 35.60.20	**SUPERSEDES** 35.60.20 dated 10/24/2017
	EFFECTIVE DATE 02/09/2018	**PAGE NUMBER** Pages 1 of 5
Division **Chief Financial Office**	**REFERENCE/AUTHORITY** ORS 291.015 ORS 293.252	
Policy Owner Statewide Accounting and Reporting Services		
SUBJECT Accounts Receivable Management-Receivables Reporting: Accounts Receivable Performance Measures	**APPROVED SIGNATURE** ***George Naughton, Chief Financial Officer*** ***Signature on file***	

PURPOSE

This policy establishes accounts receivable performance measures (ARPMs) and provides guidance to agencies for monitoring and reporting ARPM data and targets.

APPLICABILITY

This policy applies to all state agencies included in the state's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

FORMS/EXHIBITS/INSTRUCTIONS

- **OAM 75.35.12.FO**

DEFINITIONS

Liquidated and delinquent (L&D): see definition in **OAM 35.30.30**.

Receivable, also referred to as **account** or **accounts receivable (A/R):** An accounts receivable is established if revenue is not recognized at the point cash is received, refer to **OAM 15.35.00** for guidance on revenue recognition. For purposes of this OAM, a receivable does NOT include loans and notes receivable amounts except for the amount of any periodic payment which became delinquent during the reporting period, refer to **OAM 35.30.30** for guidance. If a loan or note is determined to be in default and the balance becomes due upon default then the balance should be included as an A/R.

Click here for other **definitions**.

POLICY

101. Agency management must ensure that agency personnel employ appropriate practices in the management of **A/R**.

102. Agency management shall monitor data related to the ARPMs established in this OAM and shall establish targets for each as required in this OAM. Monitoring of these ARPMs will assist agency management in evaluating the effectiveness of their **accounts receivable** management, collection processes, and identify potential areas for improvement.

103. Agencies shall report to the Department of Administrative Services (DAS) data in the format and timelines as required in this OAM.

PROCEDURES:

Required ARPMs

104. The ARPMs in paragraphs 105 through 109, and 111 as applicable, are operational measurements designed to monitor the effectiveness of collection processes. Agencies shall track these data elements to assist in the evaluation of collection processes.

Quarterly ARPMs

105. **Total receivable collections** - Agencies shall measure their total **A/R** collected during the quarter **and** the amount of those collections that are applied to **L&D accounts**.

106. **Receivables over 90 days past due as a percentage of total A/R** – At the end of each calendar quarter, agencies shall determine the number and dollar value of **accounts** outstanding and the number and dollar value of those which are delinquent more than 90 days.

Annual ARPMs for ALL agencies

107. **Days to assign** – Agencies shall measure the number of days from the Mandatory Collection Agency Transfer (MCAT) eligibility date, as defined in **OAM 35.40.10**, to the date of assignment to the Department of Revenue Other Agency Accounts (DOR-OAA) or to a private collection firm (PCF). Agencies shall report the number of accounts that were assigned in less than 30 days, 31-60 days, 61-90 days, 91-180 days, 181-365 days, and over 1 year. The assignment requirements of **ORS 293.231**, **OAM 35.40.10** and **Executive Order 17-09** dictate the mandatory timeline for when an account is subject to assignment.

108. **Days to collect** - Agencies shall measure the total number of days required to collect an **A/R** in full. Agencies shall report the number and percentage of accounts paid in full in less than 30 days, 31-60 days, 61-90 days, 91-180 days, 181-365 days, 1-3 years and over 3 years.

For purposes of this ARPM the calculation is:
Date account is paid in full[1] less effective date[2] of receivable = days to collect

1. **Accounts** should not be counted until final payment is received.
2. The effective date of the **receivable** is either:
  - The date a state agency can recognize the revenue as described in **OAM 15.35.00** under the economic resources measurement focus and accrual basis of accounting (therefore the availability criteria is unrelated to this determination); or
  - The due date of a delinquent loan payment.

109. **Write-offs as a percentage of available A/R** – Agencies shall measure the percentage of available **accounts** that were written off during a period of time against the total **A/R** owed during the same period.

For purposes of this ARPM the calculation is:

Total write-offs during the fiscal year / (total A/R beginning balance + A/R additions during the fiscal year)

Note: agencies should only include write-offs where the debt is still legally enforceable. Do not include ***accounts*** *that were discharged in bankruptcy, compromised or settled with a debtor or that were cancelled under specific agency authority to cancel debts.*

Annual ARPM for SPECIFIC agencies

110. The measurement in paragraph 111 is required for agencies that receive a DAS exemption from the assignment requirements of **OAM 35.40.10;** however, the measurement is recommended for all agencies.

111. **Collections Return on Investment (ROI)** – Agencies shall measure the amount of revenue received compared to the costs of their collection efforts to determine the collections ROI.

For purposes of this ARPM the calculation is:
Total receivable collections / (department costs[1] + collection fees[2] + legal fees[3])

1. *Department costs* - should include to the extent possible and available with reasonable effort:

   - Wages for staff performing **A/R** tasks and management (or a pro-rated percentage of time spent managing **A/R** staff);
   - Other payroll expenses related to the wages identified above;
   - Training for **A/R** staff or managers related to **A/R** job duties; and
   - Facilities costs (pro-rated based on the number of staff or managers performing **A/R** duties compared to the total staff).

2. *Collection fees* - The costs paid by the agency for collections made by DOR-OAA or a PCF. Refer to the section on collection fees contained in **OAM 15.35.00** for details on the proper accounting.

   - Include costs paid to DOR-OAA or a PCF by the agency for collection costs, even if those costs are retained from collection prior to the PCF remitting funds to the agency.
   - If the agency passes the DOR-OAA or PCF fee to the debtor, then there is no direct cost to the agency; therefore, do not include those fees in this calculation. Refer to **OAM 35.40.20** for information on how to pass the fee to the debtor. (Note: not all **accounts** may pass the fee if there are federal program restrictions or other statutory limitations.)

3. Legal fees - These costs include, but are not limited to, the following:

   - Department of Justice costs to litigate, including obtaining a judgment;
   - Administrative hearing costs, if applicable; and
   - Recording fees, such as county costs to record documents (e.g., civil penalty, distraint warrant) into the county lien record to establish a lien on real property or county sheriff fees related to a writ of execution (e.g., asset seizure and sale, till tap).

Recommended ARPMs

112. The ARPMs in paragraphs 113 through 115 are annual measurements that are designed to identify improvements associated with monitoring the process of collecting **accounts receivable**. Agencies are encouraged to track these data elements to assist in evaluating their collection processes.

113. **Recovery rate** - A collection recovery rate measures the amount collected over a period of time divided by the total **receivables** worked for a period of time.

For purposes of this ARPM the calculation is:
Total dollars collected / (beginning balance + additions)

114. **Account Turnover Rate (ATR)** - The ATR is a calculation that indicates how well **accounts** are moving through the **account** assignment pipeline. An ATR of over 100% means that there are fewer **accounts** at the end of the year than at the beginning. The ATR should be evaluated for all agency **accounts** as well as **accounts** placed with DOR-OAA or a PCF.

For purposes of this ARPM the calculation is:
Beginning number of accounts / ending number of accounts

115. Agencies not required to measure the ARPM referenced in paragraphs 110 and 111 are nevertheless encouraged to measure that ARPM.

Agency Targets:

116. Due to the various agency missions and types of receivables owed to state agencies, each agency should establish targets based on the factors that are unique to itself.

117. Agencies are required to establish quarterly targets for each ARPM established under paragraphs 105 and 106 of this OAM for reporting periods beginning July 1, 2018.

118. Agencies are required to establish annual targets for each ARPM established under paragraphs 107 through 109, and 111 as applicable, of this OAM for reporting periods beginning July 1, 2018.

119. Agencies are encouraged to establish annual targets for each ARPM established under paragraphs 113 through 115, as applicable, of this OAM.

Reporting Requirements:

120. **Quarterly ARPM reports** - Agencies shall report to the DAS Chief Financial Office the actual results for the quarterly ARPMs established under paragraphs 105 and 106 of this OAM as follows:

Reporting period	Due Date
July-September	October 31
October-December	January 31
January-March	April 30
April-June	October 1 (with the annual ARPM reports)

121. **Annual required ARPM reports -** Agencies shall report to the DAS Chief Financial Office the actual results for the required annual ARPMs established under paragraphs 107 through 109, and 111 as applicable, of this OAM by October 1.

122. **Annual recommended ARPM reports** – Agencies may report to the DAS Chief Financial Office the actual results for the recommended annual ARPMs established under paragraphs 113 through 115, as applicable, of this OAM by October 1.

123. **Agency ARPM target reports -** Beginning July 1, 2018 the information reported to DAS shall include the agency ARPM targets for the upcoming reporting period.

Agencies are not required to report targets associated with recommended ARPMs if the ARPM will not be measured.

124. Agencies shall report data elements under paragraphs 120 through 123 of this OAM using **OAM form 75.35.12,** or an alternative format approved by the DAS Chief Financial Office**,** and shall submit the report via email to SWARM@oregon.gov.

OREGON ACCOUNTING MANUAL

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES STATEWIDE POLICY	**NUMBER** 35.70.10	**SUPERSEDES** 35.70.10 dated 04/15/2013
	EFFECTIVE DATE 12/11/2018	**PAGE NUMBER** Pages 1 of 3
Division **Chief Financial Office**	**REFERENCE/AUTHORITY** ORS 291.015 ORS 293.250 ORS 293.252 ORS 293.285 ORS 293.590	
Policy Owner Statewide Accounting and Reporting Services		
SUBJECT Accounts Receivable Management-Interagency Receivables: Billings, Payments, and Progressive Actions	**APPROVED SIGNATURE** ***George Naughton, Chief Financial Officer*** ***Signature on file***	

PURPOSE
This policy describes state agency responsibilities when issuing and paying interagency invoices.

APPLICABILITY
This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by **OAM 01.05.00**.

FORMS/EXHIBITS/INSTRUCTIONS
None.

DEFINITIONS
Reasonable effort: The use of available, legal, and cost-effective means that are appropriate to the circumstances of the collection effort. A means of collection may be considered cost-effective when it is reasonable to expect the costs of collection to be less than the debt. If the anticipated recovery would be only marginally in excess of the cost of collection, it may be reasonable to exert little or no effort to collect the debt.

Click here for other **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS
None.

POLICY
101. Agency management must ensure that state agency personnel employ appropriate practices in the management of accounts receivable.

102. State agencies are required to make **reasonable efforts** to collect interagency invoices. The management of accounts receivable between agencies is an important part of a state agency's cash management process. There shall be a shared responsibility and cooperation by both agencies to assure that the providing agency bills for goods or services requested properly and promptly, and the receiving agency pays for the goods or services timely.

Billings and Payments

103. Per **OAM 35.30.10** paragraph 103, agency management must develop clear, written internal policies and procedures for the billing and collection of accounts receivable.

104. State agencies shall accumulate charges up to a periodic cut-off point and produce interagency invoices based on a periodic cycle. Interagency invoices must be distributed within 15 days of a monthly based billing cycle and within 30 days of a quarterly or annually based billing cycle.

105. Each billing state agency's invoice must be clear and informative (refer to the sample interagency invoice in **OAM 75.35.03.FO**). At a minimum, the following components should be included on the invoice:

    a. Header: Include the name and address of the billing and paying state agencies; the invoice number; invoice date; customer number; due date; and the total amount due.

    b. Body: Include specialized contract or agreement numbers and the billing period that the invoice covers; detail about the amount due; special information about the invoice, including terms or conditions; and, if the invoice lists more than one item, provide a total amount due.

    c. Footer: Include a contact name and phone number for the paying state agency to call if they have questions regarding the invoice, including TTY information, and the R*STARS accounting data (e.g. transaction code, suffix, amount by suffix, etc.).

106. State agencies must make payment within 30 days of the invoice date listed on the interagency invoice, unless the paying agency disputes all or a portion of the invoice. State agencies paying interagency invoices using R*STARS must pay each invoice with the appropriate transaction code based on the R*STARS accounting data listed on the invoice, or with a payment method approved by both state agencies.

    a. Where there are billing disputes, the paying state agency must make payment on the undisputed portion of the invoice within 30 days of the invoice date.

    b. Disputes or disagreements are those limited situations where the parties cannot reach agreement on the facts that created the invoice or the amount billed. Interagency invoices sent to the correct state agency, but reference the wrong division or program, do not constitute grounds for a dispute.

    c. State agencies must present and resolve billing questions promptly so that the paying state agency may make payment within 30 days. When questions regarding the interagency invoice become disagreements, the paying state agency must provide the billing state agency a written notification that explains the disputed amounts and the reason for the dispute (refer to **OAM 75.35.04.FO** for a sample Interagency Invoice Inquiry form).

    d. The billing state agency shall respond promptly to the written invoice dispute in an attempt to clarify or resolve the paying state agency's concerns. Typically, this should be less than 30 days.

Progressive Actions

107. Agency management must have policies or procedures that define when progressive actions will be utilized to collect delinquent interagency invoices. Progressive actions are not mandatory, but if state agencies choose to take them, the actions should be applied in the order suggested in paragraph 109.

108. State agencies may utilize the progressive actions outlined in paragraph 109 to collect delinquent interagency invoices when:

a. A state agency does not pay a properly billed interagency invoice within 30 days of the invoice date;

b. A delinquent state agency does not remit payment in response to notices of delinquent interagency invoices; or

c. A state agency has a history of delinquency.

109. Progressive actions to collect interagency invoices include, but are not limited to:

a. Collection letters, emails, or phone calls to the Chief Financial Officer (CFO) of the delinquent state agency. The billing state agency may notify the delinquent state agency's CFO. The letter or message should describe the magnitude of the delinquent amount and provide any additional information regarding the payment pattern or history of delinquent payments.

b. Collection letters, emails, or phone calls to the Director of the delinquent state agency. For repeated delinquencies, the billing state agency may notify the delinquent state agency's Director. The notification should describe the magnitude of the delinquent amount and provide any additional information regarding the payment pattern or history of delinquent payments. The notification should also describe the collection measures the billing state agency has already taken. The purpose of this notification is to alert the delinquent state agency's Director of the situation and request assistance in resolving the issue.

c. A request for intervention by the DAS Chief Financial Office. After notifying the delinquent state agency's CFO and Director, the billing state agency may contact the DAS Chief Financial Office. The billing state agency's CFO (or designee) shall send a request for intervention to the DAS Chief Financial Office which includes a brief explanation of the situation. A copy of the request should be sent to the delinquent state agency's CFO and Director.

<table>
<tr><td colspan="3">OREGON ACCOUNTING MANUAL</td></tr>
<tr><td rowspan="2">DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

STATEWIDE POLICY</td><td>NUMBER

40.10.00</td><td>SUPERSEDES

40.10.00
dated 10/01/2024</td></tr>
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<tr><td>Division
Chief Financial Office</td><td colspan="2" rowspan="2">REFERENCE/AUTHORITY

ORS Chapter 291
ORS 292.220
ORS 292.230
ORS 292.250
ORS 292.495
ORS 292.280 thru 292.288
ORS 240.250
ORS 243.650
ORS 244.040</td></tr>
<tr><td>Policy Owner
Office of the State Controller</td></tr>
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Travel – Statewide Travel Policy</td><td colspan="2">APPROVED SIGNATURE

Kate Nass, Chief Financial Officer
Approval on file</td></tr>
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General Provisions

101. **Purpose.** The purpose of this policy is to provide guidelines to state agencies for payment of travel expenses in an efficient, cost-effective manner resulting in the best value for the state.

Travel for official purposes while at a temporary workplace is reimbursable and includes transportation between places of official business, temporary lodging, restaurants, and similar establishments, as required for the subsistence, comfort, or health of personnel. Each agency is charged with the responsibility for determining the necessity, available resources, and justification for the need for and the method of travel. *Telecommunication instead of travel should be considered when possible.*

102. **Applicability.** This policy applies to state executive, management service, employees represented by AEE, AFSCME, AOCE, CIA, KFAFFA, IAFF, ONA, OSPOA, SEIU and STEA, unrepresented employees, elected officials, members of boards and commissions and authorized non-state individuals traveling on official state business.

For personnel with disabilities, the agency has authority to provide reasonable accommodations during travel on official state business. Decisions regarding specific situations not addressed by this policy shall be made and documented by the agency.

Employee salary/wage issues associated with travel status are not addressed in this policy.

103. **Out-of-state Travel.** Agencies shall limit the number of officers and employees attending the same out-of-state business meeting and, to the extent possible, develop information sharing for reporting and other aspects that have benefits to more than one person and/or agency. Agencies must be in compliance with **ORS 292.230** regarding out-of-state travel. Out-of-state travel is defined as travel from a point of origin in Oregon to a point of destination in another state and returning to the point of origin.

Agency heads are required to approve out-of-state travel or delegate out-of-state travel approval authority in writing to appropriate subordinates. For frequent non-overnight trips out-of-state (i.e. once every other month or more often), it is recommended that agencies keep authorizations on file. The authorizations should cover a specified length of time, which is recommended not to exceed one year, at which point a new authorization should be issued. Agency head pre-approval for out-of-state travel is not required for either overnight or non-overnight travel but is recommended in the case of overnight travel for internal control purposes.

104. **Policy Exceptions.** Travel Policy exceptions may be approved by the agency head for his or her subordinates on a case-by-case basis to meet agency business needs. Agencies must ensure that sufficient written documentation exists on policy departures and is signed by the agency head. Approvals for permanent policy departures must be approved in writing by the Chief Financial Office. Agency heads are not permitted to approve policy exceptions for themselves. Policy exceptions for agency heads should be approved by the agency deputy director or CFO. If exceptions are made to this policy, agencies have the responsibility to assess the tax liabilities to the employee and process expense claims accordingly.

105. **Personal Expenses.** Reimbursement of personal expenses shall not be authorized for payment at any time. For example, employees will not be reimbursed for parking tickets, lodging safe fees or commuting mileage.

Commuting mileage is defined as follows based on the approved work type, consistent with the **DAS Chief Human Resources Office (CHRO) Policy 50.050.01** *Working Remotely*:

a. Remote work (full time remote or hybrid remote, collectively referred to as “remote” in this policy): the distance from the employee’s residence to central workplace or an alternate workplace that is not their residence.

b. Mobile work: the distance from the employee’s residence to central workplace, or an alternate workplace that is not their residence, or mobile workplace.

c. For those that do not have a remote or mobile work type, i.e., only work in the office: the distance from the employee’s residence to central workplace or alternate workplace.

Personal expenses also include any travel and travel-related expenses incurred by an employee to go from their residence to their central workplace, alternate workplace that is not their residence, or mobile workplace. Examples include, but are not limited to, airfare, train fare, airport parking, lodging, meals, mileage to airport or train depot, and parking costs at the central workplace or alternate workplace.

Refer to Appendix C for definitions of the three work types listed above, along with residence, central workplace and alternate workplace.

106. **Agency Paid Expenses.** Every state agency shall try to pre-arrange official state business meetings and have the costs paid directly by the agency when practical. *Travel related expenditures or accommodations paid by or provided by the agency shall not be paid or reimbursed to the employee.* Agencies are not allowed to direct-bill meals to lodging receipts.

107. **Insurance/State Insurance Coverage.** This policy does not necessarily ensure state employees have tort, liability and workers compensation coverage. Refer to Department of Administrative Services Risk Management for insurance and coverage issues related to state travel. https://www.oregon.gov/das/risk/pages/toolkittravel.aspx

108. **Employee Moving Expense.** Moving expenses and relocation are not included in the travel policy. Refer to the Department of Administrative Services, Human Resources Services Division Policy 40.055.10, *Current or Recalled Employee Relocation*, and Policy 40.055.20, *New Employee Relocation*, at http://www.oregon.gov/das/Policies/40-055-10.pdf or http://www.oregon.gov/das/Policies/40-055-20.pdf.

Compliance and Accountability

109. State agencies must comply with all provisions of this statewide policy. Periodically, the Department of Administrative Services may perform a review of the agency's travel records to ensure compliance with all aspects of this travel policy. The Department of Administrative Services may implement appropriate and progressive sanctions for misuse. All travel claims are subject to detailed audit by the Secretary of State Audits Division. All state employees must comply fully with requests for records and documentation supporting all travel expense reimbursement claims. Public employees may be liable under **ORS 291.990** and **ORS 294.100** for improper use of state funds. Public employees who order, authorize, or cause to be made any expenditure in violation of state statutes, rules, policies or procedures can be subject to fines and penalties and be held personally financially liable for inappropriate expenditures. Employees may be held financially accountable for their policy infractions in accordance with **OAM 10.40.00** (paragraphs 109 through 111).

When an agency head or the Director of the Department of Administrative Services determines that the employee or agency head obtained a payment of travel expenses for the employee or agency head by knowingly or intentionally falsifying or misrepresenting an expense item or per diem amount for personal gain, or purposely allowed another person to arrange travel in any manner that does not comply with this policy, the agency head or Director of the Department of Administrative Services may refer the matter to the Department of Justice to seek imposition of a fine under **ORS 291.990**.

Travel Status

110. **Definition.** An individual is on travel status from the time they start from and return to their central workplace or alternate workplace. Refer to Appendix C for definitions of central workplace and alternate workplace. With the approval of the agency director or designee, the employee may leave from and/or return to the place of residence or other specified location.

Refer to paragraph 115 regarding the taxability of meal allowances paid in connection with overnight versus non-overnight travel and paragraphs 129 and 130 and Appendix A for private vehicle mileage reimbursement.

Accountable Plan

111. **Definition.** The Statewide Travel Policy has been developed using the Internal Revenue Service (IRS) regulations (Publications 463 and 535) as its primary payment framework. The travel payment methodology used throughout this policy is defined as an accountable plan. By definition, an accountable plan assumes the following IRS criteria have been met:

- All expenses were incurred while on official state business
- Expenses must be adequately accounted for in a reasonable timeframe
- All excess payments or advances must be returned in a reasonable timeframe

Per Diem. The primary basis for payment of travel related expense is per diem. Per diem is the daily amount allowed for lodging (excluding taxes), meals, and incidental expenses. Incidental expenses include *all* gratuities; therefore, employees are not separately reimbursed for gratuities or tips of any kind including, but not limited to, meals and transportation. Payment to individuals on travel status to cover meals and commercial lodging is based on the rates published by the U.S. General Services Administration (GSA) for domestic travel in the continental U.S. For Alaska, Hawaii, and U.S. Territories and Possessions, the per diem is based on rates published by the U.S. Department of Defense. For international travel, the per diem is based on rates published by the U.S. Department of State. (Refer to Appendix A for current rates and paragraphs 134 and 135 for receipt requirements.)

Meals

112. **Meal Per Diem.** The per diem meal allowance is a fixed amount of reimbursement for a meal. It is not reimbursement for the actual costs incurred. Receipts are not required for meals if claiming per diem.

Travel expenses must not be claimed prior to travel taking place and employees must be in travel status to receive a meal allowance.

Occasionally, employees may be reimbursed for actual costs. For example, when personnel attend an official state business meeting where the meal is an agenda item but not included in the fee and the selection and cost of the meal are beyond the control of the employee, the employee will be reimbursed for the actual cost of that meal. A receipt must be provided (refer to paragraphs 134 and 135 for receipt requirements). Official state business meetings are defined as two or more employees or persons assembled, for the benefit of the agency, to conduct official state business as authorized by law. Official state business meetings include conferences, training, workshops, testing, seminars and other gatherings to conduct official state business. *Meal per diem allowances for overnight travel are based on where the related lodging takes place.*

Even when a traveler is eligible for reimbursement of actual meal costs, any purchases of alcohol shall not be reimbursed.

113. **Meals Included in Registration Fees.** Meals included as part of the registration fee(s) for a conference, seminar, etc., must be subtracted from the employee's daily meal per diem. Use the following percentages to determine the appropriate amount to deduct:

- Breakfast equals 25% of the allowed daily meal per diem
- Lunch equals 25% of the allowed daily meal per diem
- Dinner equals 50% of the allowed daily meal per diem

114. **Complimentary Meals.** Complimentary meals provided by a hotel/motel do not affect the per diem meal allowance. No adjustment is required.

115. **Taxability of Meal Per Diem.** Meal allowances paid in connection with overnight travel status are *nontaxable* to the employee. Overnight travel status means (1) the employee's duties take him away from the general area of his tax home *substantially* longer than an ordinary day's work and (2) the employee needs sleep or rest to meet the demands of the work while away from home.

Meal allowances that do not involve an overnight stay are taxable income to the traveler.

116. **Meal Per Diem Non-overnight Travel:** A meal per diem is permitted under the following conditions during non-overnight travel:

a. **Breakfast.** Personnel must be on travel status for two hours or more before the beginning of their scheduled work shift to receive a breakfast allowance (refer to percentages in paragraph 113).

b. **Lunch.** No allowance is provided for lunch during non-overnight travel unless the employee is attending an official business meeting and the meal is an agenda item, that was not included in the fee, and the cost and choice of having the meal were beyond the control of the employee. A receipt is required.

Other circumstances may warrant an exception to the provision that no allowance is provided for lunch. The agency director or designee, board member or commission member may authorize such an exception when such payment provides a clear and distinct economic advantage to the agency and is critical and essential to the mission of the agency.

c. **Dinner.** Personnel must be on travel status for two hours or more beyond the end of their scheduled work shift to receive a dinner allowance (refer to percentages in paragraph 113).

117. **Application of Meal Per Diem Rates**. Meal per diems for the initial day of travel and final day of travel are determined on the following schedule based on departure and arrival times. Apply the percentage to the appropriate meal rate.

Initial Day of Travel – Leave:	Prior to 6:00 AM	6:00 AM to Noon	12:01 PM to 6:00 PM	After 6:00 PM
Meal Allowance Percentage	100%	75%	50%	25%

Final Day of Travel – Return:	Prior to 6:00 AM	6:00 AM to Noon	12:01 PM to 6:00 PM	After 6:00 PM
Meal Allowance Percentage	25%	50%	75%	100%

118. **Multiple Locations During Overnight and Non-overnight Travel.** A single per diem rate is used for an entire day. During overnight travel, if the employee travels to more than one location in one day, the per diem rates for each day are the rates for the location in which the traveler will spend the night. *However, on the final day of travel, the per diem rates are the rates for the location in which the traveler last stayed the night, prior to returning to their central workplace, alternative workplace, and/or residence.* When travel in a single day (non-overnight travel) is to multiple locations (meaning, more than one work destination), the highest per diem of the multiple locations is used.

Lodging

119. **Commercial Lodging Expenses.** Lodging expenses are reimbursed at actual cost up to the specific daily maximum allowable lodging rate in effect at the time of travel for the specific area or locality.

Employees may "double up" in a room in order to save the state money or for efficiency. A single employee is allowed to be reimbursed under these circumstances, but the transaction must be thoroughly documented for audit purposes and the separate expense claims must cross-reference. Agencies must ensure that the maximum reimbursed on a per employee basis does not exceed the allowable rate.

Lodging taxes are not included in the continental U.S. per diem rates. Therefore, lodging taxes paid by the employee are reimbursable as a miscellaneous travel expense. In addition, lodging taxes are not included in the U.S. Department of Defense per diem rates for lodging in Alaska, Hawaii, and the U.S. Territories and Possessions. However, lodging taxes are included in the U.S. Department of State per diem rates for lodging in foreign countries. Receipts are required for lodging and lodging taxes.

Credit card surcharges are not included in lodging per diem rates. Such fees are reimbursable as a miscellaneous travel expense. Receipts are required for credit card surcharges.

Certain lodging establishments may charge "hospitality fees" or "resort fees" that are beyond the control of the employee. These types of fees are reimbursable expenses.

Exceptions to the published lodging per diem rates are allowed. Exceptions to lodging rates must be accompanied by documentation and receipts. For example, if personnel attend a conference or meeting and stay at an official hotel/motel, as defined in the conference or meeting registration or agenda for that conference or meeting, and the lodging cost exceeds the per diem for that location, the reimbursement of actual lodging expenses is allowed. This reimbursement is conditioned upon the performance of an effort to find lower cost lodging as described below. Should the conference hotel rate be authorized, the Travel Expense Detail Sheet must include documentation of the official conference hotel designation and a copy of the hotel bill.

If the cost of an official conference or meeting hotel exceeds the lodging per diem rate for that location, agencies are obligated to make and document an effort to (1) lodge employees at the lowest conference hotel room rate available at the published conference/meeting facilities or (2) lodge employees at an alternative lowest cost hotel/motel within close proximity (1 to 2 block radius) to the primary conference/meeting facility. Traveler safety is a factor to be considered in the evaluation of an alternate lodging facility.

Agency heads or designees have the authority to approve lodging reimbursements higher than established per diem rates under other unusual conditions (for example, when an event, occurrence, emergency or other valid situation prevents a state employee from securing a room within reasonable proximity and within the per diem for that location).

Any approval to exceed lodging rates is to be made on a case-by-case basis, thoroughly documented for audit purposes, and signed by the agency head or designee.

120. **Non-commercial Lodging Per Diem.** The intent of the non-commercial lodging per diem is to reimburse travelers using their personal travel trailer, motor home, tent, time-share, second home, or staying with friends or family members and should result in an economic benefit for the state. Whether for short or long-term travel, within or outside of Oregon, the daily per diem for all non-commercial lodging is $25. It is intended that the non-commercial lodging per diem apply for any overnight stay away from home that does not take place in a commercial lodging establishment and which is provided by the employee. Even though an enterprise may have the appearance of a commercial lodging establishment (for example, a KOA campground), the facilities are still reimbursed at a daily rate of $25.

121. **Personal Telephone Calls.** Personal telephone calls to immediate family members or significant others within the continental U.S. to confirm the traveler's well-being while on overnight travel status are allowed. As an example, employees may be reimbursed for one (1) phone call home on the first day of travel and every other day for a five (5) to ten (10) minute call or similar amount over the travel period. When authorized by the agency, employees will be provided access to state phone cards or state phone card numbers. When state phone cards are not available or the employee does not charge the call to their hotel room, employees shall provide receipts. Personal telephone bills reflecting the eligible calls made during travel status can serve as a receipt.

Transportation Methods

122. **Selection of Modes of Transport.** Each agency must select the method of transportation most advantageous to state government, when cost and other factors are considered. The travel should be by the most expeditious means of transportation practicable and commensurate with the nature and purpose of the employee's duties. In addition, agencies should consider energy conservation, total cost to state government (including costs of per diem, overtime, lost work time, and actual transportation costs), total distance traveled, number of points visited, and number of travelers.

123. **Authorization of Transportation Method Required.** The method of transportation must be authorized either verbally or in writing (in writing, if authorizing the use a personal vehicle to conduct state business) in advance by the agency director or designee. This provision does not provide justification for using a private vehicle for state business rather than a state owned vehicle. Private vehicle usage is subject to the restrictions and uses contained in *Statewide Fleet Management Policy* **107-011-040** for state vehicles. The *Statewide Travel Policy* stipulates the reimbursement rate for private vehicle mileage (refer to Appendix A). Private specialty vehicles, including motorcycles and private off-road vehicles, shall not be used for state business except to the extent an agency determines that necessary state business cannot be reasonably accomplished without the use of the private specialty vehicle. Refer to **Oregon Administrative Rule (OAR) 125-155-0000**.

124. **Airline Ticket Purchases.** Refer to appropriate price agreements. All personnel shall fly coach class regardless of funding source unless the difference is paid from the traveler's personal funds.

125. **Use of Rented Vehicle.** Vehicle rental fees are reimbursable. Drivers must have a valid current driver's license for the class of vehicle driven. State personnel will normally rent compact or compact-size economy vehicles. Refer to DAS Risk Management for insurance information on rented vehicles. Refer to appropriate price agreement.

126. **Use of the Most Direct Route.** Distances between points traveled will be as shown in standard highway mileage guides, in the Department of Transportation's official mileage table or by odometer readings. MapQuest and other mapping software are acceptable mileage guides. For any out-of-state trips between points where scheduled airline service is available and where personnel are combining official state travel with a holiday, weekend trip, vacation or other personal travel, payment will be based on the cost of round-trip coach airfare and the meal and lodging per diems to which personnel would have been entitled while traveling by air or by the least expensive reasonable means of travel. Mileage to and from the air terminal normal to the departure may also be allowed.

When combining personal travel and state business travel, baggage and luggage fees should be allocated accordingly and be reasonable under the circumstances.

Agencies must ensure that employees combining business and personal travel are well informed and cautioned that substituting non-refundable airfares for fully refundable city pair airfares may result in a liability to the employee, should the reason for the business travel be cancelled. Furthermore, agencies must always use the state's contracted airfare provider for all business-related air travel even when combining personal business with state business. If the contracted provider cannot meet the needs of the traveler or the agency, the agency must follow the appropriate contract-release procedures. Employees leaving on vacation prior to the business event will become responsible for all costs should the business event be canceled at a point that all reservations could have been canceled resulting in no cost to the agency.

Provisions for Elected Officials and Members of Boards and Commissions

127. Elected officials are encouraged to use per diems for meals and lodging but may opt to claim reimbursement for actual and necessary travel expenses incurred in the performance of official state duties. Except as otherwise provided by law, members of state boards and commissions, including those individuals employed in full-time public service, are entitled to receive reimbursement for actual and necessary travel expenses incurred in the performance of official state duties. Gratuities are permissible if reasonable and not excessive and need to be documented on the receipt. If an official is reimbursed using the meal per diem allowance in lieu of actual expenses, gratuities are not separately reimbursed.

As noted in paragraph 112, purchases of alcohol shall not be reimbursed.

Refer to paragraphs 134 and 135 for receipt requirements.

Provisions for Authorized Non-State Individuals Including Volunteers

128. Agencies may authorize payment, either directly or indirectly, for costs of meals, lodging and transportation for authorized non-state individuals, including volunteers, even when there is no overnight stay. Payments for travel expenses must be authorized in advance in writing, unless the non-state individual has previously been approved to travel by virtue of an approved description of job duties that include travel. Examples of non-state individuals are a member of a state advisory committee, an intern, an agency volunteer, a job applicant, or a student traveling on official state business.

Authorized non-state individuals are usually paid based on per diem rates, but in unusual circumstances, the agency may reimburse actual and necessary expenses. All reimbursements for actual and necessary expenses will require receipts. Refer to paragraphs 134 and 135 for receipt requirements.

In the case of volunteers, the cost of meals where there is no overnight stay and no official state business meeting (refer to paragraph 115) is reportable as income.

Volunteers are eligible to receive a mileage reimbursement of up to the GSA rate, as identified in Appendix A. As long as the reimbursement is handled through an accountable plan, there are no tax consequences related to the reimbursement. Refer to paragraph 111 for information on an accountable plan.

Personal Service Contractors. If an agency chooses to reimburse travel expenses as part of the compensation to a personal service contractor, there must be a provision in the personal service contract establishing rates for travel reimbursement, provided the authorized travel occurs. Requirements of this policy, or more stringent agency requirements, must govern any travel reimbursements to personal service contractors. Refer to **OAR 125-246-0000**.

Private Vehicle Mileage Reimbursement

129. **Private Vehicle Mileage.** Private vehicle mileage reimbursement is allowed for travel on official state business based on the most direct route as follows, less an amount meeting the definition of commuting mileage as defined in paragraph 105:

    a. Between a traveler's central workplace and a temporary workplace.

    b. Between a traveler's alternative workplace and a temporary workplace.

    c. Between a traveler's central workplace and an alternative workplace.

    d. Between temporary workplaces.

    If an agency determines that the deduction of commuting mileage interferes with the agency's stated mission or does not provide a cost-benefit to the agency, the agency head or designee may authorize an exception to the policy on a case-by-case basis as outlined in paragraph 104 above. The justification for the policy departure should be documented and kept on file for audit purposes.

    Commuting mileage includes no more than one round trip to the applicable workplace per day.

    Refer to Appendix A for private vehicle mileage reimbursement rates.

    Refer to Appendices B and C for definitions and comprehensive examples.

130. **Insurance Requirements.** As outlined in **Oregon Administrative Rule 125-155**, drivers (which include employees and volunteers) are responsible to provide their own proof of legally adequate insurance for all uses they make of private vehicles and vehicles they rent for any mixture of state and personal uses. If requested, DAS Risk Management Services provides certificates of self-insurance coverage for rental vehicles that are used exclusively for official state business. In addition, mileage reimbursement is the only amount that the state or its agencies shall pay to any driver for use of his or her private vehicle on state business. The state may not pay a driver for damage to his or her vehicle or for deductibles or increased insurance rates due to an accident occurring while on state business.

    Additional information on insurance requirements, authorized drivers, and other related resources can be obtained from DAS Risk Management Services' website titled "Driving Overview": http://www.oregon.gov/das/Risk/Pages/Ovdrvng.aspx

Travel Expenses Paid or Reimbursed by Outside Entity

131. Agencies are charged with the responsibility of scrutinizing travel paid or reimbursed by outside sources to ensure that the travel is in line with the agency's mission, that the offer does not conflict with **ORS 244.040**, and that the travel does not constitute luxurious travel. Such travel must be approved by the agency head or designee. In the case of an agency head, travel being paid or reimbursed by outside sources must be approved by the agency head's immediate supervisor or by the agency deputy director or CFO. Outside sources are entities outside of state government. (Refer to paragraph 133 for Travel Involving Two State Agencies.)

    Personnel are not allowed to receive travel expense reimbursement directly from outside sources for travel that occurs while on official state travel status. Payment must be made to the agency or to travel vendors.

    Certain federal agencies reimburse travel exclusively via ACH transactions to the bank account of the traveler. If an employee receives an ACH deposit directly to their account, the employee is required to remit a check to the state for the amount of the deposit and provide documentation of the amount transferred to them. The employee is then reimbursed per state policies. State agencies are required to make a proper accounting of these transactions on the state's accounting system to reflect appropriate expenditures, revenues, and to demonstrate budgetary compliance. Agencies may allow pay advances to employees who are waiting for reimbursement of any personal funds used for federally sponsored travel. The pay advance may be approved by the agency at any time during the process.

In addition to travel reimbursed by outside sources directly to the state or the employee, state travel may also be paid by outside sources directly to travel vendors. The federal government is presumed to be an outside source whose invitation and payment of travel to travel vendors does not conflict with **ORS 244.040**.

If an outside vendor, including the federal government, is making the travel arrangements and purchasing the airfare without the involvement of state funds, there is no violation of the state's airfare contract.

132. **Record of Expenses and Revenues.** Agencies are to record all travel expenses paid by the agency even when reimbursements are received from outside sources, including the federal government, against appropriate legislative appropriations/limitations. However, when travel expenses are paid directly to vendors by outside sources (not paid by the agency), such expenses are not recorded in the agency's accounting records.

Agencies are to record all travel reimbursements received from outside sources as revenues and deposit moneys received in miscellaneous receipts.

Travel Involving Two State Agencies

133. When an employee of one agency (Agency A) travels on official state business for another agency (Agency B), the employee's travel claim shall be approved by both agencies, but the reimbursement to the employee will be processed by the employing agency (Agency A). This process will allow the employing agency to properly handle any taxability issues, will result in only one agency initially recording the travel expenses, and will reduce the possibility that the travel claim could be erroneously processed in duplicate. Agency A may seek reimbursement from Agency B for the travel expenses. This reimbursement must be recorded as a reduction of expense. Agencies should coordinate for accurate processing of the reimbursement transaction. This provision does not apply to situations involving federal grants where federal funds are moving between two agencies, which must be accounted for in accordance with **OAM 15.42.00**, Federal Grants (refer to paragraph 113).

Receipt Requirements

134. **Meals and Lodging.** Receipts for lodging, lodging taxes, and surcharges on lodging are required.

Receipts for meals are not required if the traveler is claiming the meal per diem.

Receipts for meals are required under the following conditions: conference exceptions as described in paragraph 112, elected officials and members of boards and commissions as described in paragraph 127, non-state individuals including volunteers as described in paragraph 128.

A credit/debit card payment slip does not constitute a receipt. A receipt should include the vendor, amount, date and itemized description of the item or items purchased.

135. **Other Receipt Requirements.** Receipts are required for other travel expenses that individually exceed $25. Credit card receipts are valid provided they contain complete details of the purchase. When any receipt is unavailable or lost, a written statement is required, signed by the claimant providing the reason(s).

Supplies - Any expenses claimed by the employee for the purchase of business supplies and miscellaneous items must be accompanied by a receipt, regardless of the amount. Agencies should encourage employees to become familiar with price agreements and not purchase supplies that are available on price agreement.

Credit card surcharges - Credit card surcharges added to purchases of business supplies and miscellaneous items are reimbursable expenses. Receipts are required.

Phone - Receipts are required for all phone reimbursements. Official local or long distance business phone calls are a reimbursable expense. Any associated hotel access charges are also reimbursable. Receipts should show the date of the phone call, minutes used, and cost.

Personal cell phone - Reimbursement for personal cell phones for official business use while on travel status is permitted with documentation showing date and minutes of business call and appropriate computation of the cost per minute calculated by any method that results in the lowest cost per minute to the state.

Baggage and luggage fees - Baggage and luggage fees are a reimbursable expense. Agencies and travelers should consider the extra fees charged by the airlines prior to making their travel arrangements and plan accordingly. When combining personal travel and state business travel, baggage and luggage fees should be allocated accordingly and be reasonable under the circumstances.

Overpayments

136. When any employee receives a payment of any travel expense that exceeds any amount authorized by this policy, or arranges for travel for another person in any manner that does not comply with this policy, the head of the employee's agency shall collect or recover from the employee the amount of payment for travel that exceeds the amount authorized by this policy.

137. When any agency head receives a payment of any travel expense that exceeds any amount authorized by this policy, or arranges for travel for another person in any manner that does not comply with this policy, the Director of the Department of Administrative Services may collect or recover from the employee the amount of payment for travel that exceeds the amount authorized by this policy.

Travel Forms

138. An employee uses the *Travel Expense Detail Sheet* to itemize travel expenses. The employee must indicate their official workplace, the specific reason for travel, and the travel dates and attach the supporting receipts. The form must be signed by the employee and approved by the authorizing supervisor or manager.

Except for the situation described in paragraph 119 in which an agency reimburses a single employee for "shared lodging," an employee may not report travel expenses incurred by someone else.

For travel claims involving private vehicle mileage, the employee completes the *Authorization to Use Private Vehicle* form, regardless of work type (remote, mobile, or only works in the office). This form must be signed by the employee, approved by the authorizing supervisor or manager, and attached to the *Travel Expense Detail Sheet.*

Examples of both forms can be found in **OAM Chapter 75 – Forms**. Agencies may modify the forms, however all the information within the *Authorization to Use Private Vehicle* form must be included.

139. **Timely Submission of Travel Expense Reimbursement Requests.** Travel reimbursements should be submitted for approval on a timely basis in accordance with **OAM 20.30.00.PO** to accommodate proper biennial expenditure recognition. Agencies are encouraged to set their own internal deadlines to accommodate other periodic reporting (fiscal year end, federal fiscal year end, etc.).

Travel Advances

140. For information about travel advances, refer to **OAM 40.20.00**, *Travel Advances*.

Travel Awards

141. Any travel award earned during official state business travel may be retained by the employee. Except as provided below, 'travel award' may be any object of value awarded by a business providing commercial transportation or lodging which can be used to reduce travel costs and include, but are not limited to airline frequent flyer miles and hotel or car rental customer award bonuses, points, or credit or debit card

rewards. Such awards, if any, earned during official state business travel are part of the employee's official compensation package for purposes of OAR 199-008-0005(3).

Consistent with paragraphs 101 and 122 of this policy, the payment of travel expenses and the selection of the method of travel must be the most advantageous to state government when cost and other factors are considered, including the subsistence, comfort, or health of an employee. Agencies may not consider the availability or traveler preference of certain travel awards when selecting travel-related services, such as airlines, hotels, rental cars, or related items.

The definition provided above of 'travel award' *excludes* airline travel vouchers or dollar bonuses that are offered to a traveler who is voluntarily bumped from an oversold flight or similar inconvenienced customer rewards offered by hotel or car rental agencies; these become property of the state.

Travel by Out-of-State Remote Workers

142. For state employees that perform their official work duties outside of Oregon and receive approval to travel to a temporary workplace for official state purposes, agencies shall reimburse amounts related to mileage in a manner consistent with this policy. Additional travel costs associated with temporary workplace travel (cost of flight, lodging, per diem, etc.) are reimbursable if not already paid for by the state agency.

Refer to paragraph 105 for the policy direction when a state employee that performs their official work duties outside of Oregon and travels to their central workplace, alternate workplace, or mobile workplace.

Refer to Appendix C for comprehensive examples.

Appendix A
Per Diem Rates and Mileage Rates

Lodging and Meal Per Diem Rates

Payments to individuals in overnight travel status to cover meals and commercial lodging will be based on the per diem rates published by the United States General Services Administration (GSA). **Effective October 1, 2025, the standard rate remains unchanged from the previous year at $110 for lodging and $68 for meals**.

The non-commercial lodging per diem is discussed in paragraph 120 above. The current non-commercial lodging per diem is $25.

Standard rate for the continental United States (CONUS) and rates for locations that are paid above the CONUS rate.	https://www.gsa.gov/travel/plan-book/per-diem-rates/per-diem-rates-results?action=perdiems_report&fiscal_year=2025%20(Current%20fiscal%20year)&city=&state=OR&zip=
Per diem rates for Alaska, Hawaii, and U.S. Territories and Possessions (US Department of Defense website). Lodging taxes are *not included* in these rates.	http://www.defensetravel.dod.mil/ • Click on *Per Diem* under Travel Regulations and Allowances • Click on *Per Diem Rates Query* • Enter state or territory under OUTSIDE CONUS • Click *EXCLUDE* Military Installations • Click CALCULATE • Ignore *Proportional Meals* column
International per diem rates (US Department of State website). Lodging taxes are *included* in these rates.	https://aoprals.state.gov/web920/per_diem.asp

Complimentary Meals

Refer to the questions and answers in the Code of Federal Regulations, Chapter 301–Temporary Duty Travel Allowances, Subchapter B–Allowable Travel Expenses, Part 301-11–Per Diem Expenses, Sec. 301-11.17 at https://www.ecfr.gov/current/title-41/section-301-11.17

Question: If my agency authorizes per diem reimbursement, will it reduce my allowance for a meal(s) provided by a common carrier or for a complimentary meal(s) provided by a hotel/motel?

Answer: No. A meal provided by a common carrier or a complimentary meal provided by a hotel/motel does not affect your per diem.

Private Vehicle Reimbursement Rates

Effective January 1, 2012, the state adopted a two-tiered reimbursement schedule for personal vehicle mileage based on the GSA model:https://www.gsa.gov/travel/plan-a-trip/transportation-airfare-rates-pov-rates-etc/privately-owned-vehicle-pov-mileage-reimbursement?topnav=travel

- If no state owned/operated vehicle is available, the employee will be reimbursed the full GSA rate in effect at the time of travel.

Appendix A
Per Diem Rates and Mileage Rates

- If an agency determines through application of *Statewide Fleet Management Policy* **107-011-040** that the most cost-effective means of transportation is for the employee to use his or her own vehicle for state business-related travel, the employee will be reimbursed the full GSA rate in effect at the time of travel.
- If an individual requires a medical accommodation that has been documented and cannot be met with a state owned/operated vehicle, the employee will be reimbursed the full GSA rate in effect at the time of travel. (For long-term accommodations, the agency should contact DAS Fleet Administration to determine if purchase of a state vehicle that will meet the employee's medical accommodation is more cost effective than reimbursement of private vehicle mileage.)
- If a state owned/operated vehicle is available and is determined to be the most cost-effective means of transportation but the employee's manager authorizes the employee to use his or her own vehicle, the employee will be reimbursed at the reduced GSA rate in effect at the time of travel.

State reimbursement rates for private vehicle mileage will be updated when the GSA updates its reimbursement rates.

Private Vehicle Mileage Reimbursement	Effective Date	GSA Rate
No state owned/operated vehicle is available.	**January 1, 2025**	**$0.70**
A privately-owned vehicle is determined to be the most cost-effective form of transportation.		
An individual requires a medical accommodation that has been documented and cannot be met with a state owned/operated vehicle.		
A state owned/operated vehicle is available and is determined to be the most cost-effective form of transportation; however, the employee's manager authorizes the employee to use a privately owned vehicle.	**January 1, 2025**	**$0.21**
No state owned/operated vehicle is available.	**January 1, 2024 – December 31, 2024**	**$0.67**
A privately-owned vehicle is determined to be the most cost-effective form of transportation.		
An individual requires a medical accommodation that has been documented and cannot be met with a state owned/operated vehicle.		
A state owned/operated vehicle is available and is determined to be the most cost-effective form of transportation; however, the employee's manager authorizes the employee to use a privately owned vehicle.	**January 1, 2024 – December 31, 2024**	**$0.21**

Refer to Appendix B for examples of how to apply the GSA's two-tiered reimbursement rates.

Privately Owned Aircraft Reimbursement Rate

Effective January 1, 2025, the GSA reimbursement rate for privately owned aircraft is $1.75 per nautical mile. At the discretion of the agency's authorized official, use of a privately owned aircraft may be authorized for the benefit of the agency or for the benefit of personnel. Agencies must comply with DAS Risk Management Policy **125-7-301** before authorizing the use of a private aircraft.

Appendix B
Using the GSA Rates to Reimburse Private Vehicle Mileage

Comprehensive Examples

The goal of the following examples is to find the right course of action that meets the business travel needs of the agency at the lowest possible cost. Whenever an employee uses their private vehicle for state business, an Authorization to Use a Private Vehicle form or the agency equivalent must be completed and kept on file. Form 75.40.05.FO

Travel Combined with Personal Time Off

1. An employee who works in Salem is attending a three-day conference in Bend. The agency's assigned vehicle is available. However, the employee asks to use their private vehicle because the employee plans to go hiking each day after the conference has adjourned.

   The agency may approve this request but must reimburse the employee at the lower GSA rate.

2. Same situation as in No. 1, except the agency's assigned vehicle is not available.

   The agency must use the DAS Fleet Daily Rental Cost Calculator to determine whether it is more cost effective to rent a car from the Motor Pool or other state rental vendor than it is to reimburse private vehicle mileage. If reimbursement of private vehicle mileage is the cheaper option, the agency may authorize the use of a private vehicle and reimburse the employee at the full GSA rate.

Medical Accommodation

3. An employee drives over 1,500 miles per month to conduct agency business. The employee suffers chronic back pain and obtains a signed letter from their doctor requesting a medical accommodation. The letter asks agency management to allow the employee to use their private vehicle because adjustments to the driver's seat in the employee's own vehicle can be customized to more effectively reduce pain and avoid additional back injury. The agency's assigned car is available for the employee's use; however, it does not meet the employee's physical needs.

   The agency may authorize the employee to use their private vehicle. The agency must maintain a copy of the doctor's letter to document the medical accommodation and request a status update at least annually. The agency should also ask DAS Fleet to do an analysis to determine if purchasing a vehicle that meets the employee's medical needs would be more cost effective for the long term.

Attending Meetings/Conferences Away from the Central Workplace

4. The employee's residence is in Woodburn and their central workplace is in Portland. Each Wednesday, the employee attends a meeting in Salem at 9:00 am. The employee's Portland office is 30 miles from their residence. The Salem office is 47 miles from the Portland office. To save time, the employee asks permission to drive their private vehicle directly from their residence in Woodburn to the Salem meeting.

   If the agency determines that driving directly to Salem from Woodburn is the most cost effective option, the agency may reimburse the employee at the full GSA rate. However, because the employee normally commutes 30 miles to the central workplace, the employee's mileage reimbursement is limited to the additional 17 miles, or 34 miles round trip.

5. Similar situation as in No. 4, except the meeting destination is 10 miles beyond the Portland office location.

   If the agency determines that driving directly to the meeting destination from Woodburn is the most cost effective option, the agency may reimburse the employee at the full GSA rate. However, the reimbursement is limited to the additional 10 miles, or 20 miles round trip.

Appendix B
Using the GSA Rates to Reimburse
Private Vehicle Mileage

6. An employee with a central workplace in Brookings must travel to Newport and then return to Brookings the same day. The agency's assigned car is not available and the trip cannot be rescheduled. There are no car rental options available in this area.

   The employee may use their private vehicle for the trip and receive reimbursement for private vehicle mileage at the full GSA rate.

7. A state car is available at the worksite of an employee who is flying out of Eugene for a week-long conference. The employee's residence is 15 miles from the Eugene airport and requests approval to use their own vehicle to drive directly to the airport from their residence.

   The agency should allow the employee to use their private vehicle to avoid having a state owned/operated vehicle sitting at the airport for a week. In this situation, the employee is entitled to reimbursement at the full GSA rate.

8. Similar situation as No. 7, except the employee's alternate workplace is their residence and the employee has been assigned a state car.

   The employee should drive the assigned state car to the airport and leave it parked at the airport for the length of the trip. No reimbursement is applicable.

Appendix C
Personal Commuting Examples

Definitions – For each of the terms below, refer to **DAS CHRO Policy 50.050.01** *Working Remotely*

- Central workplace
- Alternate workplace
- Temporary workplace
- Mobile workplace
- Residence
- Remote work (full time remote or hybrid remote, are collectively referred to as “remote” in this policy)
- Mobile work

Quick Examples

Private vehicle mileage reimbursable as state business expense:

- An employee with an remote work type, or only works in the office, with one or more central workplaces drives from their residence to a temporary workplace and returns to their residence. [Note: The agency must deduct from the total business miles for that day an amount equal to the commuting miles (roundtrip) between the residence and the central workplace].
- An employee drives from their central workplace or alternate workplace to a temporary workplace. This would apply regardless of work type (remote work or mobile work).
- An employee drives between temporary workplaces.

Non-reimbursable personal commuting:

- An employee working under a remote work type, or only works in the office, drives from their residence to their central workplace or to an alternate workplace, even if occurring on the weekend.

Comprehensive Examples

1. An employee with a remote work type, or only works in the office, has a residence in Salem but the employee’s central workplace is in Portland. The employee’s normal commute mileage is 90 miles roundtrip. The employee leaves in the morning from their residence to attend a meeting in Woodburn and then returns to Salem. The total distance travelled is 40 miles roundtrip.

   Because the normal commute miles from Salem to Portland are longer than the distance from Salem to Woodburn, the employee is not reimbursed for the mileage. Under the same scenario, if the meeting is in Albany and the employee travels a total of 50 miles roundtrip, he/she would still not be entitled to a reimbursement. The *direction* of the temporary workplace from the central or alternate workplace is not factored into the reimbursement. For employees with a remote work type or only work in the office, the normal commute miles must always be subtracted when an employee travels from their residence to an alternate workplace or temporary workplace.

2. An employee with a remote work type, or only works in the office, drives from their residence in Portland to their central workplace in Salem. In the afternoon the employee drives to McMinnville to deliver papers at a satellite office and then returns to their residence.

Appendix C
Personal Commuting Examples

The trip between the employee's residence and central workplace in Salem is personal commuting and not reimbursed. Reimbursement for the travel from the central workplace to the temporary workplace in McMinnville and the return trip to the residence is reimbursed, less an amount equal to the commute miles (one way) between the residence and central workplace in Salem.

3. An employee with a remote work type, or only works in the office, travels from their residence to a temporary workplace for the day, driving past their central or alternate workplace on the way. Is the reimbursement for the mileage from the residence to the temporary workplace reimbursable, or is it limited to the distance from the central workplace if it is less?

   Reimbursements for transportation for the mileage between the residence and the temporary workplace may be reimbursed, less an amount equal to the commute miles (round trip) between the residence and central workplace or alternate workplace.

4. An employee with a remote work type option begins working from home, during the middle of their shift, they drive to the central workplace or alternate workplace to attend a meeting. Would this mileage be reimbursable? Would the answer change if the travel time is compensable (i.e., count as time worked)?

   The mileage to and from an employee's residence to their central workplace or alternate workplace that is not their residence is considered personal commuting mileage and is not reimbursable, even if it occurs during the middle of a work shift. Whether travel time is compensable does not affect when mileage is reimbursed; those determinations are made independent of one another.

5. An employee with a remote work type option drives to their central or alternate workplace and incurs costs to park their vehicle. Would this cost be reimbursable?

   The mileage to and from an employee's residence to their central or alternate workplace is considered personal commuting mileage and any related parking costs are considered personal expenses and not eligible for reimbursement, regardless of work type option.

6. An employee with a remote work type option that lives in a state other than Oregon is required to return to their central workplace in Salem to attend a meeting. The employee has an alternate workplace of their residence in the other state. The employee takes a commercial airline flight, rents a car, and stays at a hotel in order to attend. Would any or all of these costs be reimbursable?

   As these costs were incurred by the employee to travel from their residence to their central workplace, they are considered personal expenses and none of the costs are eligible for reimbursement. This would be true for any travel-related costs, including but not limited to, mileage to the airport, airport parking, meals, lodging, and parking at their central workplace.

7. An employee with a remote work type option that lives in Boston, Massachusetts has a central workplace in Salem, Oregon, and their alternate workplace is their Boston residence. The employee obtains approval to travel via airplane to Washington, D.C. for a work conference. Would the employee deduct the mileage from Boston, Massachusetts to Salem, Oregon when determining their mileage reimbursement? Would the cost of the flight be affected?

   When determining the mileage reimbursement from their residence to the airport, the employee would deduct the cost from their residence to their central workplace (they do not have an alternate workplace other than their home). However, all other travel and travel-related costs are eligible for reimbursement or state agency payment, including airfare, airport parking, lodging, per diem, etc.

8. Same employee from No. 7 above, however now the employee obtains approval to travel via airplane to Medford, Oregon for a work conference. Would the answer to No. 7 change?

   No. Medford is neither the central workplace or the alternate workplace, instead it is a temporary workplace, therefore the treatment would be the same as when the employee traveled to Washington D.C. in No. 7.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	40.20.00
Program:	Chief Financial Office	Effective date:	July 1, 2012
Chapter:	**Travel**		
Part:	**Travel Advances**		
Section:			
Approved:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy outlines the process and assigns responsibility for issuing travel advances for authorized business travel.

AUTHORITY:
ORS Chapter 291
ORS 292.220
ORS 292.230
ORS 292.250
ORS 292.495
ORS 292.280 through 292.288
ORS 240.250
ORS 243.650
ORS 244.040

APPLICABILITY: This policy applies to all state agencies that issue travel advances.

POLICY:

101. Agencies must establish a system of internal controls for tracking, substantiating, and reconciling travel advances.

102. The State Corporate Travel Charge Card (state travel card) is the preferred mechanism for paying travel-related expenses incurred while conducting official state business. However, travel advances may be issued to employees authorized to travel on behalf of the state if a travel card has not been issued, has been canceled, or does not otherwise meet the traveler's needs.

103. Do not issue permanent travel advances for frequent travelers. Frequent travelers should apply for and use the state travel card to pay for travel-related costs and submit periodic requests for travel expense reimbursement. If a frequent traveler has been denied a state travel card, the agency may issue periodic travel advances, provided each travel advance is timely substantiated.

104. Do not issue a subsequent advance to an employee with an outstanding, unreconciled, and/or past due balance from a previous travel advance unless approved in writing by the agency head or delegate.

105. Report advances that are not timely substantiated or excess amounts not timely repaid as taxable income to the employee, *even if substantiated or repaid later*. The following time periods

meet the requirements of the Internal Revenue Service (IRS) for timely substantiation and repayment of excess funds:

a. Issue travel advances no more than 30 days before the date of travel.

b. Require the traveler to substantiate travel expenses within 60 days after the travel expenses occur.

c. Require the traveler to repay any excess amount to the agency within 90 days after the travel expenses occur.

Process any adjustments to increase year-to-date earnings and taxes withheld no later than the following payroll period.

106. Ensure that individuals who issue or receive travel advances understand:

a. Issuance of an unauthorized travel advance or the use of a travel advance for any purpose other than to pay for official travel-related expenses is a misappropriation of state funds.

b. Employees who receive travel advances are fully liable to the state for loss or theft of the funds.

PROCEDURES:

107. When issuing travel advances, maintain the following documentation for audit purposes:

- Information identifying the employee
- Amount requested
- Travel dates
- Destination
- Reason for travel
- Agency coding
- Traveler's signature
- Authorizing signature

108. Upon completion of the travel, instruct the employee to timely complete a Travel Expense Detail Sheet.

a. Reconcile the employee's travel advance issued to the Travel Expense Detail Sheet.

b. If reported travel expenses exceed the amount of the travel advance, reimburse the employee the additional amount due.

c. If reported travel expenses are less than the amount of the travel advance, ensure the employee repays the unused amount. The repayment should accompany the Travel Expense Detail Sheet unless the employee has received permission to repay the unused travel advance through a payroll deduction.

109. Process any necessary payroll adjustments to include unsubstantiated travel advances or past due balances in taxable income according to IRS requirements.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

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<tr><td colspan="2"><h1>OREGON ACCOUNTING MANUAL</h1></td></tr>
<tr><td>Subject: Accounting and Financial Reporting
Division: State Controller's Division</td><td>Number: 40.20.10.PO
Effective date: May 1, 2007</td></tr>
<tr><td colspan="2">Chapter: Travel
Part: Corporate Travel Card
Section:</td></tr>
<tr><td>Approved: John Radford, State Controller</td><td>Original signature on file in SCD</td></tr>
</table>

Authority **ORS Chapter 291**
ORS 292.220
ORS 292.230
ORS 292.250
ORS 292.495
ORS 292.280 through 292.288
ORS 240.250
ORS 243.650
ORS 244.040

Purpose

.101 The purpose of this policy to provide guidelines on the use of the State Corporate Travel **Charge Card** (travel card) for official state business travel.

.102 The State sponsors the Travel Card Program to provide state employees who travel on behalf of state government a means to pay for authorized travel expenses incurred. The travel card is a personal liability card, not a State liability card. The travel card is available to individual state employees through US Bank, subject to US Bank credit standards.

Agency Issued Cash Travel Advances

.103 See OAM 40.20.00, effective date July 1, 2012 for travel advance information.

Use of Travel Card

.107 The preferred method of providing a means to state employees to pay for authorized travel expenses is through the use of the travel card. Agencies are encouraged to adopt the use of the travel card; however, it is understood that US Bank may deny issuance of a travel card or may cancel a travel card due to delinquency.

.108 Agencies are encouraged to obtain the travel card for all personnel that continuously travel or periodically travel (minimum of at least one travel occasion every 6 months) on official state business. Agencies should periodically review authorized travel cards issued and regularly cancel travel cards if the employee travel needs have been significantly reduced or eliminated.

.109 Only official travel expenses shall be purchased with the travel card. Official travel shall include, but is not limited to, lodging, meals, and ground transportation. When necessary, in emergency travel situations, air transportation fares may also be purchased with the travel card. However, the preferred payment method for air transportation is to use the Central Travel System (CTS)

Account (or ‘ghost account’) through the State’s travel agency. Retail spending is permitted only in those instances when, during official state travel time, the retail items being purchased are necessary for state business purposes.

.110 Use of the travel card is authorized only for travel related expenses while on official state business travel and is strictly prohibited for any other purpose. The travel card shall not be used for personal purchases and doing so will be considered abuse of the card. Abuse of the corporate travel card privilege or disregard for the terms of the Corporate Travel Card Agreement may result in cancellation of the travel card and is grounds for disciplinary action up to and including dismissal.

.111 Employees are liable for all charges they make on their travel cards. This includes purchases or cash obtained at an automated teller machine (ATM) as well as any late fees assessed. Cash that is lost is not reimbursable by the State. Under the current travel card contract, neither the employee nor the State is liable for illegal charges to the card due to lost or stolen cards. However, cardholders should immediately report lost and stolen cards to US Bank.

Preferred Method of Travel Advance Issuance

.112 Whenever possible, travel advances shall be obtained through the travel card. Use of the travel card reduces the administrative burden of application, voucher/warrant issuance, reporting, and reconciliation costs associated with a cash advance issued by check or warrant. In addition, use of the travel card sustains State cash resources.

Travel Card Monitoring Responsibilities

.113 Agency Travel Card Management. Agencies are required to provide for internal management of the travel cards issued to their employees by assigning a person or persons to function as the agency Travel Card Coordinator (coordinator). The coordinator(s) will ensure that all card applications are appropriate and processed correctly. In addition, the coordinator(s) or other individual(s) designated by the agency shall request and review monthly card management reports (available on-line through US Bank’s Access Online program) regarding the agency’s cardholders using the accompanying procedures defined in **40.20.00.PR**. Agencies are required to perform appropriate review and monitor delinquent accounts or misuse of the card. Each agency is required to take appropriate corrective action as necessary for misuse, delinquent accounts, or other anomalies.

.114 Canceling Travel Card Privileges upon Termination or Transfer. Each agency is responsible for canceling travel card privileges for an employee who either terminates or transfers to another agency. Failure to notify the card issuer of an employee termination transfers the liability of any charges made on the card after termination from the cardholder to the issuing agency. Agencies must destroy cancelled cards.

Payment of Travel Card Monthly Statement

.115 The payment of the travel card monthly statement is the responsibility of the state employee who is authorized to travel and to whom the charge card is issued. The entire balance is to be paid in full each month. Under no circumstance should an agency pay an employee’s charge card statement. Employees are required to submit requests for business travel expense reimbursements timely after travel so that reimbursement payments to the employee provide sufficient resources and time for the employee to pay the monthly travel card statement.

.116 Effective May 1, 2007 cardholder accounts with a 60 day past due balance will be suspended by US Bank and subsequently cancelled if not paid in full before they become 90 days past due. When an account is *suspended*, no additional charges can be made until the cardholder pays the past due balance. The first instance of a 90 day past due balance will result in the cancellation of the cardholder account with no provision for reinstatement of privileges, unless the past due balance was caused by circumstances beyond the control of the cardholder (i.e., erroneous posting of charges or payments through no fault of the cardholder). Travel cards that were canceled prior to May 1, 2007 as a result of a 60 day past due balance (in accordance with the previous policy) will not be reinstated.

Corporate Travel Card Rebate

.117 Under the Corporate Travel Card program, the State may qualify for an annual rebate from US Bank. The rebate amount is based on a combination of dollar volume of purchases and timeliness of payments on accounts. Therefore, timely payment by employees of travel card account balances contributes towards earning the rebate. When a travel card account balance is charged off by US Bank (180 days past due), the amount charged off reduces the rebate. Although the amount is “charged off” for the purposes of the travel card program, US Bank will continue to pursue collection from the cardholder.

Use of Personal Credit Card

.118 State employees may opt to use their own personal credit card in lieu of obtaining the travel card and/or a cash advance. Employees choosing to use a personal credit card to pay for official state travel expenses must adhere to the Oregon Government Standards and Practices Commission's Advisory Opinion 01A-1006. This advisory opinion states that using benefits earned from the use of a personal credit card that offers incentives such as cash rebates, frequent flyer miles or other benefits based upon the dollar amount of purchases made violates ORS 244.040(1)(a) which prevents public officials from using their position or office to obtain personal financial gain.

.119 Employees using their own personal credit card for travel related expenses may be reimbursed for reasonable ATM cash withdrawal charges for cash advances up to the amount of the travel card fee. Interest accumulations for cash withdrawals made using a personal card are not reimbursable.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Procedure

<table>
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<tr><td>Subject:
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State Controller's Division</td><td>Number:
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May 1, 2007</td></tr>
<tr><td>Chapter:
Part:
Section:</td><td colspan="3">Travel
Corporate Travel Card
</td></tr>
<tr><td>Approved:</td><td>John Radford, State Controller</td><td colspan="2">Original signature on file in SCD</td></tr>
</table>

Accounting for Agency Issued Cash Travel Advances

.101 See OAM 40.20.00 effective date July 1, 2012 for travel advance information.

Obtaining Travel Cards

.103 In order to manage the issuance and review of the State Corporate Travel Charge Card (travel card), the agency must appoint an agency Travel Card Coordinator (coordinator). The agency reports the name, phone number, mailing address and e-mail address of that person to the State Controller's Division, Statewide Accounting and Reporting Services (SARS). Upon assignment of the duties, the agency coordinator contacts the US Bank Account Coordinator at (612) 973-1266 to obtain a new password in order to access the US Bank Access Online program. Any changes in staffing of the agency coordinator need to be reported in the same way as the initial assignment in order to revoke outdated user names and passwords and establish replacements. Access to the information provided by Access Online should be handled within the agency with careful thought to the security of the access and information.

.104 The travel card, issued by US Bank, is available to any employee who travels on behalf of the State, upon authorization by the agency approving authority. The travel card is a personal liability card and individual cardholders are responsible for all purchases and cash advances made using the card.

.105 Applicants who do not meet US Bank credit standards will not be offered a card. US Bank will conduct a full credit bureau check on new applicants that have been identified as high risk. Applicants whose credit indicates a significant credit risk will not be granted a travel card. US Bank uses the employee's social security number (provided on the employee's Corporate Travel Card Application) to perform the credit check.

.106 State employees seeking to obtain the travel card must complete and sign the US Bank Corporate Card Application form (**75.40.04.FO**) and the Corporate Travel Card Agreement form (**75.40.03.FO**) and submit both forms to their supervisor/manager. Applicants must use their home address as the billing address on the application. The supervisor/manager reviews the card request and determines if the employee has a business need for the card. The supervisor/ manager signs the US Bank Corporate Card Application on the "Approving Manager" line and submits both the application and agreement to the agency travel card coordinator.

.107 The agency travel card coordinator reviews the application and verifies the receipt of a signed Corporate Travel Card Agreement. The agency coordinator determines if the credit limit should be set lower than the standard $5,000 and if access to ATM cash is appropriate and indicates that across the top of the form as "Cash" or "No Cash". The bank-assigned five-digit company number is also required on the lower portion of the application.

.108 The agency travel card coordinator signs the application as the “Company Program Administrator”. The completed application and the agreement are faxed to US Bank to the attention of the State of Oregon Account Coordinator at (612) 973-3696. Applications take seven to ten business days to process. The agency retains the application and agreement forms on file as long as the employee has an active card and for a period of three years beyond cancellation of the card or termination of the State’s contract with US Bank. The agency makes application and agreement forms available to DAS and the Secretary of State Audits Division upon request.

.109 US Bank will mail cards directly to the cardholder. The cardholder shall sign the back of the card upon receipt of the card. At issuance, the cardholder receives information and instructions for activating the card by phoning a toll-free number at US Bank. The card cannot be used until activated. If US Bank does not issue a card to the employee, the bank notifies the employee directly by mail.

.110 US Bank issues new travel cards after cards reach their renewal date, providing the account status is in good standing and the account has had activity during the previous 18 months. The cards are mailed directly to the cardholder and must be signed upon receipt.

Travel Card Cash Withdrawal Limits

.111 If approved for this card feature, state employees traveling on state business may use the travel card to obtain cash advances from an ATM to cover incidental expenses. Employees that are authorized for ATM use should limit the use of cash advance withdrawals to one for every three to five days of consecutive travel. Charges for ATM cash withdrawals are a reimbursable expense.

.112 Because there is a charge for each cash withdrawal from an ATM, the number of cash advances should be held to a minimum. Cash advances should be obtained only to pay for such items as meals, taxi fees, parking or other small, authorized incidental expenses when the travel card may not be readily accepted. It is recommended that each advance be an amount of at least $50, but not exceed $100 for a three to five day period of consecutive travel. The total ATM limit on all cards authorized for ATM use is $250; however, each agency may lower cash withdrawal limits depending on the individual agency needs. Once a traveler reaches the limit, ATM use is suspended until the balance is paid below $250, and then only the difference between the balance on ATM withdrawals and the $250 limit is available for withdrawal.

Managing Active Travel Cards

.113 US Bank, through their Access Online program, provides for the download of online reports to assist the agency with card management. Those reports provide a roster of cardholders within the agency, information about cardholder spending and a listing of cardholders with delinquent balances. All reports are available for download by travel card coordinators when needed. The web site for the US Bank Access Online program is located at: https://access.usbank.com.

.114 In the US Bank Access Online program, various codes are used to indicate the status of travel card accounts. These status codes are defined as follows:

- F1 = Lost/stolen
- FA = Fraud has been identified
- M9 = Account is suspended due to 60 day delinquency
- P9 = Account closed due to abuse, NSF, or delinquency
- Q9 = Miscellaneous closure code
- R9 = Account is in collections (automatic code after 120 days)
- S1 = Account is closed due to 90 day delinquency
- T9 = Account terminated by the state agency
- V9 = Voluntary surrender (voluntarily closed, but can be reopened upon request)

.115 The agency travel card coordinator(s) or other individual(s) designated by the agency shall request and review monthly card management reports created in the US Bank Access Online program regarding the agency's cardholders. Agencies are required to perform appropriate reviews to monitor delinquent accounts and encourage payment of past due balances. The agency coordinator should securely store all travel card reports, protecting the confidentiality of the card and cardholder information.

.116 Agencies should monitor the <u>Account List Report</u> (found under Access Online/Reporting/Program Management/Administration/Account List) for the following (when retrieving this report, be sure to click on the box for 'account information' in the 'Additional Detail' section and also change the 'Report Output' from PDF to Excel):

a. Review to ensure the cardholder member list includes correct and current information.

b. Review for any cardholders that have terminated, retired, or transferred to other state agencies. Process immediate cancellation (using a cancellation code T9) of those card accounts.

c. Agencies are encouraged to voluntarily close accounts that have not been used in the past six months and are not expected to be used within the next six months. Review for cardholders with no activity for six months or more by looking at the 'Last Trans Date' column in the report. If any, verify that the card is still needed. If the agency travel card coordinator believes the card will be needed in the future and determines that it should not be fully cancelled, then a V9 cancellation is recommended (card is closed, but can be reopened with a phone call to US Bank at (612) 973-1266). Cancel and destroy cards that are no longer needed. Retrieve, cancel, and destroy cards from employees who are retiring, transferring to another agency, or terminating. To cancel a card, call the US Bank Account Coordinator at (612) 973-1266.

.117 Agencies should monitor the <u>Transactions Detail Report</u> (found under Access Online/ Reporting/Financial Management/Transaction Detail) and the Cash Advance reports (found under Access Online/Reporting/Program Management/Cash Advance) for the following:

a. Review for purchases that do not appear to be related to travel. Bring these purchases to the attention of either the cardholder and/or the cardholder's manager to verify the appropriateness.

b. Review for personal charges and ATM anomalies. Coordinate needed corrections with the cardholder and US Bank.

c. Review for large dollar activity or changes in spending patterns.

d. Review for frequent ATM activity. If questionable, verify that the employee has been on travel status. ATM activity not related to travel status is an abuse of the card.

.118 Agencies should monitor the <u>Account Suspension Report</u> (found under Access Online/ Reporting/Program Management/Account Suspension). The Account Suspension report should be requested shortly after the monthly billing cycle, which is the 8th of each month. The Account Suspension report should be reviewed for the following:

a. Review for delinquent balances (30 days or more). For delinquent balances of 30 to 60 days, notify the employee of the account status and confirm or suggest immediate payment.

b. For delinquent balances older than 60 days, notify the employee and his/her supervisor. The supervisor should then confirm or suggest immediate payment of the cardholder account.

c. When an account balance becomes 90 days past due, the account is cancelled in accordance with OAM policy 40.20.00.PO, .116. The agency travel card coordinator will receive notification of cancellations from SARS. For delinquent balances of 90 days or more, notify the employee and his/her supervisor of the cancellation of the account. The supervisor should report the delinquent status to the agency Personnel Office and seek immediate payment or begin disciplinary actions as needed.

.119 In the case of erroneous information related to the delinquent status of a card, the cardholder works with US Bank Customer Service at (800) 344-5696 and if not resolved, contacts SARS to assist with resolution of the error.

Non-Sufficient Funds

.120 For the first instance of a non-sufficient funds (NSF) check, US Bank will close the accounts of cardholders whose credit indicates a significant risk. If a cardholder's credit does not indicate a significant risk, US Bank will adjust the credit limit to $500 for the first instance of a NSF check. For the second instance of a NSF check, US Bank will close the account, even if the cardholder's credit does not indicate a significant risk.

Purging Travel Card Accounts

.121 US Bank monitors travel card accounts for inactivity. On, or soon after the travel card expiration date (renewal date), US Bank checks the activity for the account. US Bank will purge (close and delete from their system) accounts if they have reached the expiration date and have met one of the following two criteria:

a. If the account status is R9, S1, FA, F1, or no status (status is "open") and:
   - Account has expired (renewal date has arrived); and
   - Account has a zero balance; and
   - Account has been inactive for at least 22 months.

b. If the account status is P9, T9, V9, or Q9 and:
   - Account has a zero balance; and
   - Account has been inactive for at least 12 months.

.122 Employees whose accounts are purged by US Bank due to inactivity may reapply for a new card using the procedure as outlined in paragraph .103 through .109, as long as the account was not closed because of delinquency.

.123 US Bank will not purge a travel card account if: 1) the account is charged off; or 2) the account has a status of FA; or 3) the account has a balance; or 4) the account is used at least once every 12 months.

DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	45.05.00
Division:	State Controller's Division	Effective date:	March 1, 2007
Chapter:	**Payroll**		
Part:	**Regular Pay Days**		
Section:			
Approved:	John Radford, State Controller	Original signature on file in SCD	

Authority **ORS 652.120**

Scheduled Paydays

.101 Payrolls will be processed by Oregon Statewide Payroll Services (OSPS) to ensure compliance with ORS 652.120, that no more than 35 days elapse between paydays. Paydays are the first and fifteenth day of each calendar month. If a payday falls on a holiday or a weekend, checks will be issued and direct deposits will be effective on the last working day prior to the first or fifteenth day of the month. New Years Day is a payday and checks will be dated January 1, but direct deposits will be effective the first banking day following that holiday and direct deposit statements will be dated accordingly.

New Employees

.102 Salaried employees who are officially employed prior to the processing cutoff date published in the OSPS statewide payroll calendar will receive wages calculated on a forecast basis on the first day of the month or other day as described above.

.103 Hourly employees are paid semi-monthly and receive pay for actual hours worked through an agency defined cutoff date (usually about the fifteenth and the last day of the month), on the first and fifteenth day of the month, or on such other day as described above.

.104 Salaried and hourly employees, whose employment begins after payroll cutoff, but before the first of the month, will receive payment for actual hours worked through month-end no later than the fifteenth of the month following.

Agency Time Systems

.105 Oregon State Payroll Application (OSPA) users who upload time information from an agency owned time and attendance system must configure their system and set processing schedules according to the deadlines established on the statewide payroll processing calendar in order to meet processing deadlines.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	45.06.00
Division:	State Controller's Division	Effective date:	March 1, 2007
Chapter:	**Payroll**		
Part:	**Sick Leave Balances at Retirement**		
Section:			
Approved:	John Radford, State Controller	Original signature on file in SCD	

Authority **ORS 238.350**
OAR 459-017-0060

Sick Leave Balance Expiration

.101 When a state employee retires, the employing agency shall report all accumulated unused sick leave to the Public Employees Retirement System (PERS). Thereafter, the unused sick leave is no longer available to a retiree who is reemployed or rehired, in any appointment or position, by the State.

.102 This provision applies to all unused sick leave hours that are reported to PERS. Under no circumstances can reported hours be restored to a retiree, regardless of the specific retirement option elected by the individual (including disability retirement) or the type of appointment or position filled upon reemployment or rehire.

.103 At retirement, an employee's sick leave balances shall be:

a. Entered into the Oregon State Payroll Application (OSPA) clearing account;

b. Documented as "retired" in the comment field; and

c. Flagged to be adjusted to zero at 60 days following the date of retirement.

Recoupment of Benefit Overpayment

.104 Any agency that discovers it has restored sick leave hours to a retiree must take the following steps:

a. Immediately remove any remaining sick leave hours restored to the employee's account following reemployment or rehire;

b. Change the employee's status to leave without pay for absences where the employee applied restored sick leave hours to cover the absence; and

c. Notify the employee of any amount of benefits to be repaid and adhere to applicable policy or the relevant collective bargaining agreement to recoup such amounts.

OREGON ACCOUNTING MANUAL

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES STATEWIDE POLICY	**NUMBER** 45.07.00	**SUPERSEDES** 45.07.00 dated 02/01/2002
	EFFECTIVE DATE 11/12/2025	**PAGE NUMBER** Pages 1 of 4
Division **Chief Financial Office**	**REFERENCE/AUTHORITY** ORS 291.015 ORS 292.010 ORS 292.016 ORS 292.022 ORS 292.036 ORS 293.295 ORS 293.590 ORS 652.120 Designated CHRO Policies	
Policy Owner Office of the State Controller | Oregon Statewide Payroll Services (OSPS)		
SUBJECT Payroll – Time Record Approval and Leave Report Review	**APPROVED SIGNATURE** ***Kate Nass, Chief Financial Officer*** ***Approval on file***	

PURPOSE
This policy establishes standards of accountability and internal controls to ensure that agency management review and approve time records for appropriate pay and use of leave balances.

APPLICABILITY
This policy applies to all state agencies that are subject to the Oregon Accounting Manual (OAM), as outlined in OAM 01.05.00 *Introduction: Scope and Applicability*.

FORMS/EXHIBITS/INSTRUCTIONS
None.

DEFINITIONS
Refer to OAM 65.00.00 *Glossary* for definitions.

EXCLUSIONS AND SPECIAL SITUATIONS
None.

POLICY:

101. Agency heads will create, maintain and administer written policies and procedures that ensure conformance to this policy, DAS Chief Human Resources Office (CHRO) policies and, if applicable, collective bargaining agreement provisions that address employee pay.

102. State employees are expected to prepare accurate and timely documentation of their time and attendance dependent upon their status under the Fair Labor Standards Act (FLSA). State HR Policy 20.005.20, Fair Labor Standards Act, provides guidelines for application of the FLSA. Employees are

classified in the state's HR and payroll information system, Workday, as either non-exempt or exempt from the FLSA. The requirement to report actual hours worked or the eligibility for compensatory time or overtime is dependent upon the FLSA status or the collective bargaining agreements for represented employees.

a. Other than requests for time off, FLSA exempt employees that are unrepresented, management service or unclassified service are not required to submit time unless:

- There are exceptions to the employee's regular pay (leave without pay, working on a holiday, overtime, etc.)

- The employee's time must be applied to certain cost centers beyond the employee's default cost center.

- Their agency otherwise requires it.

103. The supervisor is responsible for the review and approval of all employee time records. Even if employees do not enter their time, it is the responsibility of the supervisor to enter time on behalf of their employees to ensure that all their employees are paid timely and accurately. Similarly, if employees have entered but not submitted their time, it is the responsibility of the supervisor to approve, enter, adjust, or submit their employees' time as necessary to ensure all their employees are paid timely and accurately. Supervisors ensure that time records are reviewed timely in accordance with the state's official payroll calendar or any applicable agency-specific payroll processing calendar.

104. It is strongly recommended that employees submit their time (as necessary under paragraph 102) and supervisors review and approve their employees' time on a weekly basis, at the conclusion of the employees' work week.

105. The accuracy of paychecks and payroll-related payments as well as the data integrity of leave balances and associated accounting transactions are dependent on the accuracy of the time and attendance records. Agencies are required to review and approve the time data that becomes the basis for the payroll expenditure. Payroll transactions are the same as other agency expenditures and require the application of the same standards of internal control. Refer to Chapter 10 of the OAM. The approval must occur within the timekeeping system used by the agency, which for most agencies is Workday.

106. Agency management is responsible for ensuring that alternate or delegate reviewers are identified and properly authorized to approve employees' time records when their direct supervisors are absent from work or otherwise unable to do so.

107. Time records that have not been reviewed and approved can introduce erroneous data into the state payroll and accounting systems and cause unauthorized expenditures of state funds. Failure to review and approve time records is an inappropriate action by a person responsible for authorizing the expenditure. Agency management should apply the same standards and penalties for failure to review and approve time records as those included in OAM 10.40.00, *Internal Control: Expenditures*, in the section titled Penalties for Inappropriate Action.

PROCEDURES:

108. Payroll for salaried employees is processed based on a forecast of the hours the employee is expected to work in the monthly Run 1. The purpose of processing the monthly Run 2 is to refine the forecasted data from Run 1 by incorporating actual time and leave records. Hourly employees are paid from Run 1

and Run 2 based on the hours recorded on their timesheet. The Bureau of Labor and Industries clarifies that even when an employee does not submit a time report, the employer must pay the employee their anticipated hours worked, ensuring that no more than 35 days lapse between time worked and payday. Therefore, it is the supervisor's responsibility that all of their employees' time is entered correctly, even if the supervisor must enter time on behalf of the employee. Supervisors must also approve, enter, adjust or submit employees' time when it is entered but not submitted by the employee to ensure timely and accurate payment of wages.

109. To properly approve an employee's time, supervisors must review all entries on the employee's time record. It is strongly recommended that such review and approval occur weekly, at the conclusion of the employee's work week. The review shall consider each time element reported as well as time elements not reported. If errors are detected on the time record, the supervisor must coordinate with the employee to correct the time record timely according to the payroll calendar. The supervisory review should consider:

a. <u>Regular hours.</u> Time that the employee is actually on the job is regular hours and may have the addition of differentials or other added pay components. The supervisor must ensure the accuracy of this time.

b. <u>Vacation hours</u>. Review the time record for the presence or absence of vacation hours consistent with supervisor-approved hours the employee used. Review this time to ensure consistency with Statewide HR Policy 60.000.05, *Vacation Leave*, and any applicable collective bargaining agreements.

c. <u>Sick leave hours.</u> Review the time record for the presence or absence of sick leave hours consistent with actual hours the employee used. Review this time to ensure consistency with Statewide HR Policy 60.000.01, *Sick Leave with Pay*, and any applicable collective bargaining agreements.

d. <u>Holiday hours.</u> While Workday or the agency's timekeeping system forecasts holiday time based on an employee's work schedule, review those days for time actually worked on the holiday and any applicable premiums. Additionally, for those employees who work a schedule other than an eight-hour day, the holiday entries should be reviewed for the addition of vacation hours or compensatory time added to the allowable holiday hours to fill the deficit between the holiday hours allowed and the scheduled hours. Review this time to ensure consistency with Statewide HR Policy 60.010.01, *Holiday Leave with Pay*, and any applicable collective bargaining agreements.

e. <u>Special paid leave and personal business</u>. Review the time record for the presence or absence of these leave hours consistent with supervisor-approved hours the employee used. Review this time to ensure consistency with Statewide HR Policy 60.000.10, *Special Leaves with Pay*, or any applicable collective bargaining agreements.

f. <u>Exceptional performance leave or recognition leave pay.</u> This leave shall be granted using the criteria set forth in Statewide HR Policy 60.000.10, *Special Leaves with Pay*. Agencies shall follow this policy when reviewing and approving such leave.

g. <u>Leave without pay (LWOP)</u>. In the forecast payroll environment, leave without pay can result in an overpayment of wages or benefits to the employee. Hours that an employee does not work where the employee does not have leave balances or compensatory time balance to use becomes leave without pay and reduces the employee's salary. Review the time record to ensure the presence of these hours when applicable. Further, supervisors have a responsibility to report occurrences of leave without pay to their agency payroll office as soon as they become aware of them. Supervisors can prevent an overpayment by logging the LWOP hours before the Run 1 payroll. Review this time to ensure consistency with Statewide HR Policies 60.000.11, *Leaves without Pay;* 60.000.12, *Statutorily Required Leaves With and Without Pay*, 60.000.30, *Expression of Milk and Unpaid Rest Periods*, and any applicable collective bargaining agreements. Refer to paragraph 111 of this policy when an overpayment of wages or benefits occurs.

h. Overtime or compensatory time accrued. Review the time record for the presence or absence of these hours consistent with agency-specific overtime authorization. Review this time to ensure consistency with Statewide HR Policy 20.005.20, *Fair Labor Standards Act (FLSA)*, and any applicable FLSA laws and collective bargaining agreements.

i. Shift differential. Review the time record for the presence or absence of these hours based on the employee's approved work schedule. Review this time to ensure consistency with Statewide HR Policy 20.005.10, *Pay Practices*, and applicable collective bargaining agreements.

j. Other situations. Supervisors should coordinate with their agency HR and payroll staff for assistance and clarification of the appropriate pay codes to use in special situations or occurrences. These situations include military leave, jury duty, workers' compensation claims, Family Medical Leave, employees returning to work on light duty, time off for union business, employees whose hours qualify under a return-to-work agreement, situations of paid leave pending an investigation or other occasional situations. Review the time record for the presence or absence of these pay codes and hours. The following statewide HR policies provide guidance on these leaves: 60.000.10, *Special Leaves with Pay*; 60.000.12, *Statutorily Required Leaves With and Without Pay*; 60.000.15, *Federal Family and Medical Leave Act (FMLA)*; 60.000.20, *Alternate Leave Provisions*; 60.000.25, *Military Leave*; and 60.015.01, *Temporary Interruption of Employment*. Some of these leaves are governed by collective bargaining agreements and some require coordination with the agency HR office.

k. Changes and adjustments. Supervisors are responsible for ensuring that any prior month time adjustments or corrections are reported to the agency payroll office as soon as detected.

110. When an employee is regularly reporting leave without pay due to insufficient balances of leave available to support days away from work and this results in more than one occurrence of overpayment, the agency must take immediate action to prevent a recurrence of the overpaid status and to protect against losses or costly collection procedures.

111. When an overpayment of wages or benefits to an employee occurs, agencies shall follow the provisions of OAM 45.50.00 *Payroll: Collection of Overpayment of Wages* and OAM 45.55.00 *Payroll: Collection of Employee Benefit Payment Amounts Paid by the Employer*, as applicable to the source of the overpayment.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	45.10.00.PO
Division:	State Controller's Division	Effective date:	February 27, 2008
Chapter:	**Payroll**		
Part:	**Voluntary Deductions**		
Section:			
Approved:	John Radford, State Controller	Signature on file at SCD	

Authority **ORS 292.036**
ORS 292.045 – 292.070
ORS 652.610

Purpose

.101 This policy describes the circumstances under which modifications will be made to the Oregon Statewide Payroll Application (OSPA) to process voluntary deductions from the pay of state employees.

Authorization to Create Deduction Codes

.102 Creating structure in the OSPA for the voluntary deduction of funds from state paychecks must be permitted in the Oregon Revised Statutes or in the Oregon Administrative Rules. Creating and maintaining the deduction code sets and reconciling the aggregate deductions and vendor payments using a publicly owned system must be an authorized use of public resources. In response to special circumstances, or an emergency condition, a voluntary payroll deduction code may be authorized by a mandate from the Governor or the Director of the Department of Administrative Services.

Method Used For Payment

.103 All voluntary deduction codes implemented in OSPA will utilize Electronic Funds Transfer (EFT) to transmit the deducted funds to the vendor or other recipient. Vendor requests for waiver of electronic payment methods must present compelling reasons to process payments using paper checks.

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	45.10.00.PR
Division:	State Controller's Division	Effective date:	February 27, 2008
Chapter:	**Payroll**		
Part:	**Voluntary Deductions**		
Section:			
Approved:	John Radford, State Controller	Signature on file at SCD	

Procedure to Establish a Deduction Code

.101 The organization, entity or agency proposing or requesting a new deduction contacts Oregon Statewide Payroll Services (OSPS) to request that a new deduction code be assigned. The requestor must specify if the deduction is to be limited to specific agencies. OSPS will evaluate the request and verify the permissions. If the deduction is permitted, OSPS will respond to the requestor and verify the date by which the code will be effective.

.102 When notified that the deduction code request has been approved, the funds recipient must, in writing, provide the information necessary to implement Electronic Funds Transfer (EFT) of the deducted funds. The following information is needed:

a. Complete business name and address of the recipient of the funds.

b. The name and address of the recipient's bank.

c. The American Banking Association (ABA) routing/transit number and the account number for the destination of the funds.

.103 OSPS will create the deduction code and notify the requesting entity and the agencies when the code is ready for use.

.104 The code and description will be added to the OSPS Reference Manual appendix of valid deduction codes.

Implementing Deductions from Employee's Pay

.105 The funds recipient will supply the agencies with deduction authorization forms to record the employee's permission to activate the deduction. Authorization forms must indicate the funds recipient, the monthly amount, the effective date of the deduction, length of time for which the deduction is authorized (either fixed term or permanent), a clear statement of authorization, and a place for the employee's full name, signature and the date the form was signed.

.106 Upon receipt of a signed authorization, the agency may activate the deduction code in OSPA. The agency must retain employee deduction authorizations in accordance with the state records retention schedule.

<table>
<tr><td colspan="2">OREGON ACCOUNTING MANUAL</td><td>Number
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<tr><td>Oregon Department of
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<tr><td>Chapter</td><td>Payroll</td><td rowspan="2">.1 OF .1</td></tr>
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Signature on file at SCD</td></tr>
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Authority **ORS 291.405**
ORS 291.407
ORS 292.026
ORS 292.036

.101 Agencies served by the **Oregon State Payroll Application (OSPA)** will reimburse the Joint Payroll Account and the Mass Transit Account for their respective payroll costs by pay day for each payroll processing run.

# OREGON ACCOUNTING MANUAL	Number 45.15.00.PR
Oregon Department of Administrative Services State Controller's Division **Procedure**	Effective Date August 15, 2001
Chapter **Payroll**	.1 OF .1
Part **Payroll Accounts Reimbursement**	
Section	Approval Signature on file at SCD

Authority **ORS 291.405**
ORS 291.407
ORS 292.026
ORS 292.036

.101 **Oregon State Payroll Services (OSPS)** prepares vendor and payroll checks and reports. The **Oregon State Payroll Application (OSPA)** transmits reports and provides the **Statewide Financial Management Application (SFMA)** reimbursement amounts.

.102 SFMA reimbursement amounts (accounts receivable) are reconciled by **Statewide Financial Management Services (SFMS)** Operations unit to the OSPA information by payroll run, taking into consideration timing options for payroll run 2. For agencies that need detailed information from their subsidiary system, OSPS provides a file of the payroll data to accommodate this need. It is the responsibility of the agency to reconcile the original total dollars from OSPA to the new SFMA interface file. SFMS Operations will also verify totals for these agencies to assure the SFMA accounts receivable agency totals equal the agency total payroll accounts payables.

.103 By **pay day**, all payroll information will need to be interfaced to SFMA so that SFMA can automatically reimburse the OSPS Joint Payroll Account. When agency funds are available (which should be no later than pay day), SFMA automatically reimburses the OSPS Joint Payroll Account for the appropriate amount based on the OSPA information.

.104 After SFMA receives the payroll information, it generates the appropriate Mass Transit contributions, which automatically reimburse the Mass Transit Account. For any agencies not on SFMA, OSPA generates the Mass Transit amount and creates a check, which is deposited into the Mass Transit account.

.105 If an agency’s cash position does not permit prompt reimbursement of payroll and Mass Transit, a request for temporary delay should be sent to the State Controller.

.106 The request, signed by the agency head, should address the reasons for the delay, the expected payment date, the likelihood of future deficiencies, and the corrective action planned.

.107 It is not appropriate for an agency to postpone the liquidation of payroll payables without following the procedures identified in .105 and .106 above.

.108 SFMS Operations monitors receivable balances and reports to OSPS any outstanding reimbursements over 45 days old. OSPS reports outstanding reimbursements over 45 days old, by pay date and amount, to the State Controller and the Budget and Management Division administrator.

.109 The State Controller pursues delinquent accounts.

OREGON ACCOUNTING MANUAL		Number 45.17.00
Oregon Department of Administrative Services State Controller's Division	**Policy**	Effective Date August 15, 2001
Chapter	**Payroll**	.1 OF .1
Part	**Payroll Data Integrity**	
Section		Approval Signature on file at SCD

Authority **ORS 292.036**

.101 In order to protect payroll data integrity, agencies must reconcile their **Oregon State Payroll Application (OSPA)** reports to **Statewide Financial Management Application (SFMA)** and agency specific accounting systems.

.102 Agencies who make coding structure changes such as PCA or Index before batches are posted to SFMA or agency specific accounting systems must maintain an audit trail for those changes. The audit trail must consist of a record of before and after the changes and must be approved by agency management. The structure changes must reconcile to and balance with the source OSPA XREF report. The reconciliation should disclose or document proof that the results of the changes in SFMA and other accounting systems agree to the source documents. Further, those changes should be annotated upon the OSPA XREF report to create backup documentation that reflects the changes made to the SFMA batch. SFMA does not allow dollar amount changes to this information.

.103 While agencies have the ability to make PCA and Index changes in SFMA where there is a cost benefit, agencies should strongly consider making needed adjustments as separate adjusting entries only after the initial batch has been posted. This method of making PCA and Index changes creates a more precise audit trail.

.104 To accommodate some agency requirements where subsidiary systems house further allocation of staff time, OSPS provides a file of payroll data to the agency. This process does allow for total dollar changes. It is the responsibility of the agencies receiving these files to verify the final file totals the same amount as the original file produced by OSPA. Files with different totals create a serious agency lack of controls. Continued discrepancies between the total amount of the original file and the final file may jeopardize the use of this practice for the agency.

.105 **Statewide Financial Management Services (SFMS)** Operations has the responsibility to reconcile the OSPA payroll run information to SFMA accounts receivable information by agency. This reconciliation takes into consideration agency timing requests for the second payroll run.

DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	45.20.00
Division:	State Controller's Division	Effective date:	February 27, 2008
Chapter:	**Payroll**		
Part:	**Cash Insurance Payments**		
Section:			
Approved:	John Radford, State Controller	Signature on file at SCD	

Authority **ORS 243.140**
ORS 292.036
ORS 293.590
ORS 743.530

Acceptable Forms of Payment

.101 Employee payments for medical and dental insurance under the Continuation of Benefits for Injured Workers (CBIW) or job protected leave under the Family Medical Leave Act (FMLA) or Oregon Family Leave Act (OFLA) will be made by money order, certified check, state warrant, Balanced Transfer (BT) or agency revolving fund check payable to the **Joint Payroll Account**.

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<tr><td colspan="2">OREGON ACCOUNTING MANUAL</td><td>Number
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Authority **ORS 292.033**
ORS 292.036
ORS 293.330
Various Collective Bargaining Agreements

.101 Salary advances in Oregon state government are provided to state employees under ORS 292.033 and various collective bargaining agreements as a means to provide employees with access to earned compensation in emergency situations. Providing salary advances is administratively costly and will be allowed only in financial emergency situations. If provisions of this policy conflict with provisions of a state approved collective bargaining agreement, the bargaining agreement will prevail.

.102 An emergency situation is defined as an unusual, unforeseen event or unavoidable condition that requires immediate financial resources by the employee. Emergencies include, but are not limited to the following circumstances:

a. Death in family necessitating unforeseen expenditures or travel.

b. Major car repair such as engine, transmission, or catastrophic failure (not to be confused with minor repairs, maintenance, tires, etc.).

c. Theft of cash representing major portion of most recent pay.

d. Automobile accident leading to loss of vehicle use.

e. Accident or sickness (self or family) requiring immediate substantial cash outlays.

f. Destruction or major damage to home requiring immediate substantial cash outlays.

g. New employee lack of funds (maximum – 1 draw).

h. Unreimbursed moving expenses due to transfer or promotion. This does not include personal moving situations such as purchasing a home or renting a different residence.

.103 Management's responsibility in approving pay advances should include appropriate documentation and a reasonable assessment of the request for conformance with emergency situations, labor agreements, and with Oregon law.

.104 Unless otherwise determined by the agency, it is not the responsibility of agency payroll officers to approve, disapprove, or enforce good management practices and the application of labor agreements with respect to pay advances. Payroll officers merely process the approved transaction.

.105 Payroll advances are not to be authorized or issued as short-term loans of state funds for frivolous purposes. It is management's responsibility to appropriately safeguard state assets balanced against the need for making prudent use of payroll cash advances to state employees for legitimate emergency situations authorized by law or labor agreement.

.106 Payroll advances are prohibited as a method of distributing earned compensation in advance of holidays, vacations, or other notable events.

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Processing Through Agency Revolving Fund

.101 Agencies having their own means of preparing salary advances by issuing revolving fund checks:

a. Issue internal procedures governing salary advances in accordance with **45.25.00.PO** and applicable collective bargaining agreements.

b. Accept and pay requests for salary advance per agency procedures.

c. Make the necessary entry on the Oregon State Payroll Application (OSPA) deduction screen to ensure the salary advance is deducted from the employee's next regular paycheck.

Processing Through Oregon State Payroll Services

.102 Agencies who request Oregon State Payroll Services (OSPS) Support Services to prepare salary advance checks (including separation payments) must properly authorize those individuals who are permitted to approve pay requests.

a. Provide OSPS with a completed and signed form **75.45.01.FO**, **Authorized OSPA Signatures**. An agency administrator must sign the form. The administrator may designate an alternate to approve on his/her behalf. The designee may authorize and change subordinate signers on subsequent form submissions.

b. Each time a subordinate signer must be added, deleted, or changed, a new Authorized OSPA Signatures form is required. The administrator's designee may approve these changes.

c. Payroll advances will not be issued without a valid Authorized OSPA Signatures form on file in OSPS, nor will payment requests be accepted by OSPS from any person who is not an authorized signer.

.103 Salary advances are ordered as follows:

a. The requesting employee completes and submits to the agency form **75.45.02.FO**, **Request for Payroll Advance**, specifying the dollar amount of the requested advance. The employee must sign the request.

b. The request must be signed by the employee's supervisor and approved by an authorized agency signer.

c. The agency must review the request and verify that the reason for the request is in line with the provisions of any prevailing collective bargaining agreement or with OAM **45.25.00.PO**.

d. The agency must review to ensure that the dollar amount of the request does not exceed the maximum 60% of wages due as of the date of request taking into consideration any active involuntary withholding orders.

e. The request is forwarded to OSPS and will be processed and a check issued from the next available manual check run.

f. The employee may personally pick up the check only if the agency has pre-authorized the pick-up in writing to OSPS. The employee must present photo identification.

.104 Salary advances for separation payments are ordered as follows:

a. Presented as a printed copy of the P370, Calculation of Current Payoff screen.

b. Signed by an approved agency signer.

c. The request is forwarded to the OSPS office and will be processed and a check issued from the next available manual check run.

d. The employee may personally pick up the check only if the agency has pre-authorized the pick-up in writing to OSPS. The employee must present photo identification

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	45.30.00
Division:	State Controller's Division	Effective date:	June 29, 2007
Chapter:	**Payroll**		
Part:	**Dual Update Access to PPDB and OSPA**		
Section:			
Approved:	John Radford, State Controller	Signature on file at SCD	

Authority **ORS 240.145**
ORS 292.018
ORS 292.036

.101 As a matter of internal control, no individual will be authorized to have general update authority for employee records in both the Position and Personnel Data Base (PPDB) system and the Oregon State Payroll Application (OSPA).

.102 Any agency employee who has update authority to an agency owned and operated time and attendance application which interfaces data to OSPA is considered to have update access to OSPA. Update access is defined as the ability to create a time record for another employee; add, change, or delete hours to the time record of another employee; or enter any other transaction that would have an affect on the amount of money paid to another person. Employees with this level of access to the agency owned time and attendance application shall not have simultaneous update authority to the PPDB system. This does not include employees whose access to an agency owned time and attendance application is limited or controlled to only permit them to enter their own time or supervisors who validate or approve the time of subordinates.

Statewide Policy

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	45.35.00.PO
Division:	State Controller's Division	Effective date:	June 29, 2007
Chapter:	**Payroll**		
Part:	**Review of Gross Pay Adjustment Reports**		
Section:			
Approved:	John Radford, State Controller	Signature on file at SCD	

Authority **ORS 292.018**
ORS 292.022
ORS 292.036

Agency Responsibility

.101 Immediately following each payroll processing run and prior to the release of pay to employees, the Gross Pay Adjustment Reports (OSPS Reports B075-A and B075-B) produced during that run must be reviewed and approved (signed) by an agency manager who does not directly supervise the payroll unit. This review will be conducted in accordance with the guidelines in the accompanying procedure.

DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Procedure

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	45.35.00.PR
Division:	State Controller's Division	Effective date:	June 29, 2007
Chapter:	**Payroll**		
Part:	**Review of Gross Pay Adjustment Reports**		
Section:			
Approved:	John Radford, State Controller	Signature on file at SCD	

Purpose

.101 This procedure provides state agencies with guidelines for reviewing the Gross Pay Adjustment Reports (OSPS Reports B075-A and BO75-B). It also provides information that will assist the reviewer in performing a meaningful review.

Assigning Review Responsibilities

.102 To ensure an effective and timely review, the agency must assign the review duties to a person who has time available to complete the review before payroll payments are released to employees.

Performing the Review

.103 The Gross Pay Adjustment reports display transactions that are increases or decreases to pay or are non-cash increases or decreases to year-to-date taxable income. The purpose of a Gross Pay Adjustment may be to issue pay or simply to record the non-cash value of a taxable fringe benefit. The payments or adjustments may be current month or retroactive.

.104 In order to perform a meaningful review, the reviewer needs to be familiar with the codes that will appear on the report. The following table provides detail for the most frequently used codes. The OSPS Reference Manual, Appendix B contains a complete listing of all active pay and leave codes and their explanations. The agency payroll office can facilitate the review by providing the most recent version of the code listing.

Code	Explanation of Use
RG	Regular pay. Adjustments may be plus or minus. May represent retroactive pay.
OT	Overtime. Plus or minus adjustments or retroactive payments.
VAP	Payment of vacation accrued balance at termination. May also be used to make payment of a 40 hour increment of vacation, when approved, to prevent loss.
CTP	Payment of compensatory time balance at termination or when employee reaches the maximum accruable limit. May also relate to employee requests for payment of all or a portion of their compensatory time balance.
IR	Cash payment to those who opt out of PEBB health insurance coverage.
DPT	Non-cash taxable amount added to the monthly taxable pay totals for those employees who have enrolled a domestic partner in PEBB insurance coverage.
MVN	Non-taxable moving expense reimbursements.
MVT	Taxable moving expense reimbursements.

MS	Non-cash taxable amount added to the monthly taxable pay representing meals that have been provided and qualify as a taxable fringe benefit.
MST and MSN	Taxable (MST) and non-taxable (MSN) meal allowance paid to an employee.
ER	Expense reimbursements. Permitted by OAM 45.40.00.PO.
PD	Board or commission per diems.
SVN	Non-cash taxable addition to monthly gross pay for use of a state vehicle to commute to and from the workplace when the vehicle is garaged at home.
DEC	Wages paid for a deceased state employee. Always paid as a Gross Pay Adjustment. May include RG and other pay types, vacation or compensatory time accrued balance, but will all be rolled up to the DEC code. Will be accompanied by companion code "RGD" that balances the entry.
Several Codes	Clothing, cleaning, boot and tool allowances. Most related to the provisions of a collective bargaining agreement. Refer to OSPS Reference Manual, Appendix B for the codes most often used at the reviewer's agency.

Monthly Differentials Generally Not Paid Through OSPA

.105 Codes that are used for the transfer of pay from the State's personnel system to the State's payroll system, in general, are not to be used for Gross Pay Adjustments other than negative adjustments that correct previous pay. The exception to that rule is the rare occasion when a monthly differential was not started timely and one or more months are paid retroactively as a Gross Pay Adjustment to quickly facilitate payment.

These differential codes are generally applied to an entire month's pay which differs from the hour-by-hour differentials that are paid through the Oregon State Payroll Application (OSPA). Using the PPDB (Position and Personnel Data Base) codes through OSPA overrides the controls that the two systems provide when used in tandem and may circumvent the human resources approval process for these types of pay. The presence of any of the following codes on the Gross Pay Adjustment report should prompt additional scrutiny, possibly including approval from the agency's human resources office.

Code	**Description**
ALC	Assistant Legal Counsel
BBW	Bridge/Boom Welder – Certified Bridge Worker – ODOT Only
BCL	Bridge Crew Lead worker
DBL	Bilingual Differential
EDD	Education Degree Differential
EMT	Emergency Medical Technician
EQD	Equity Differential – Department of Corrections Use Only
ETD	Electricians Trade Differential
FTO	Field Training Officer
GFI	F Incentive
GPD	Geographical Pay Differential
IAD	Internal Auditor Differential – Department of Justice Use Only
IPA	State Police
IPD	State Police
ISD	Institution Staff Deployment – Department of Corrections Use Only
LCD	License or Certification Differential
LID	Both License and Deployment – Department of Corrections Use Only
LWD	Lead Worker Differential
NPD	Nurse Per Diem – AFSCME Nurses at Oregon State Hospital Only
NSD	Non Security Staff Deployment – Department of Corrections Use Only
OPB	Market Differential
PCP	Primary Recruit Coach Differential – Oregon State Police Only
PLC	Pay Line Exception Compression

PLE	Approved Pay Line Exception/Selective
PTM	Presiding Tax Magistrate Differential – Judicial Use Only
SDU	Security Duties Differential
SED	Seasonal Employees Differential
SQ	Special Qualification Differential
TCD	Team Coordinator Differential – State Library Use Only
TLD	Team Leader Differential (IS Series)
TRT	Tactical Emergency Response Team
WID	Working with Inmates Differential
WMD	Weigh Master Differential
WOC	Work Out of Class

Report Correction, Approval and Retention

.106 Items identified during the review that appear to be unusual, potentially erroneous or otherwise questionable must be brought to the attention of the payroll staff, payroll manager or other manager who supervises the agency payroll function.

.107 After the Gross Pay Adjustment review has been completed and any necessary corrections have been made by the payroll office, the reviewer must sign and date the form to indicate approval of the report as presented or as corrected. The agency must retain the Gross Pay Adjustment Reports for four years.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	45.37.00
Division:	State Controller's Division	Effective date:	June 29, 2007
Chapter:	**Payroll**		
Part:	**Review of Month End Leave Reports**		
Section:			
Approved:	John Radford, State Controller	Signature on file at SCD	

Authority **ORS 292.010**
ORS 292.016
ORS 292.022
ORS 292.036

Purpose

.101 This policy provides information to agency management on the effective use of leave balance reports and coordination with the agency payroll office as a means to manage the risk of payroll overpayments.

Payroll Processing

.102 The State utilizes an anticipatory payroll processing methodology. When Payroll Run 1 is processed, each salaried employee is paid on the basis of a monthly hours forecast derived from individual work schedules. Payroll Run 2 perfects the Run 1 by adding detailed information from the employee's timesheet, which may include leave hours taken.

.103 An employee who works less than the anticipated schedule and has insufficient leave balances to support the time away from work, may have been overpaid on Payroll Run 1. When Payroll Run 2 is processed, the calculation will result in a negative net pay condition representing the overpayment. For continuing employees, the overpayment will be collected automatically when the next Payroll Run 1 is processed. Employees who terminate after being overpaid may represent a collection problem for the agency. Continuing employees who frequently are in a leave-without-pay status could, as a result, be frequently overpaid.

Managing Risk of Payroll Overpayments

.104 Agency payroll offices receive detailed reports on leave accrued, leave used and ending balances around the 15th of each month when the leave accrual system updates employee leave balances following Payroll Run 2. Agency payroll offices must ensure timely distribution of leave reports to supervisors to facilitate the review process.

.105 Supervisors shall review the leave reports timely, paying particular attention to employees who have low balances of sick or vacation leave. Employees who have already used leave during the month may have depleted their leave balances. Employees who use leave or terminate during the last week of the month may not have enough leave to fully support those days away from work, creating a payroll overpayment. The supervisor shall immediately provide timesheet detail to the agency payroll office to determine what actions may be taken to prevent or correct a payroll overpayment.

.106 Because payroll is processed four working days prior to payday, the employee’s paycheck may already be in process at the time they take leave or terminate. The supervisor must communicate immediately with the agency payroll office to manage the risk of overpayment. A payroll check can be cancelled and reissued for a lesser amount that reflects the missed workdays. For an employee who uses direct deposit, the paycheck cannot be cancelled, but an ACH cancellation may be requested up to the final ACH deadline, or an ACH reversal transaction may be attempted if the situation warrants that action.

.107 When an employee is regularly reporting leave-without-pay due to insufficient balances of sick or vacation leave available to support days away from work and that has resulted in more than one occurrence of overpayment, the agency must take immediate action to prevent a recurrence of the overpaid status and to protect against losses or costly collection procedures. The agency may temporarily cancel an employee’s direct deposit participation to ensure the maximum amount of time available to make last minute pay corrections. Direct deposit may be restored once the employee accrues sufficient leave balances to support time away from work and the risk of overpayments has decreased.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	45.40.00
Division:	State Controller's Division	Effective date:	February 27, 2008
Chapter:	**Payroll**		
Part:	**Reimbursement of Employee Expenses Through OSPA**		
Section:			
Approved:	John Radford, State Controller	Signature on file at SCD	

Authority **ORS 292.016**
ORS 292.018

Using OSPA to Pay Expense Reimbursements

.101 The Oregon Statewide Payroll Application (OSPA) has functionality to process transactions for the reimbursement of employee expenses. Using OSPA may be a cost efficient way to reimburse employees as long as the payroll schedule provides acceptable timing for the reimbursement. When this functionality is used, expenses must be documented and their payment approved by the supervisor or other staff member charged with approving such payments before the payment is entered into OSPA. The approval and documentation requirements are the same as would be required if the payments were processed through accounts payable.

Retention of Documentation

.102 The agency payroll unit will retain the supporting documentation for six years after the date of payment.

OREGON ACCOUNTING MANUAL		Number 45.42.00
Oregon Department of Administrative Services State Controller's Division	**Policy**	Effective Date March 24, 2006
Chapter	**Payroll**	.1 OF .2
Part	**Distributions Accompanying Payroll Payment**	
Section		Approved Signature on file at SCD

Authority: **ORS 292.018**
ORS 292.036

Purpose and Scope

.101 The purpose of this policy is to define what is appropriate for agencies to distribute along with payroll checks or direct deposit statements that are distributed to employees. The parameters of this policy take into consideration what is an appropriate part of the payroll business transaction as well as the costs associated with the distribution. This policy is applicable to all agencies that use the Oregon State Payroll Application (OSPA) to process payroll payments.

.102 A payroll payment is a business transaction between an employer and an employee. The delivery of the payroll payment, whether in the form of a paper check or a direct deposit statement, is the finalization of that regular monthly business transaction.

.103 While some agencies may manually deliver paychecks and direct deposit statements within the confines of a single building or office, other agencies incur costs to mail or ship individual or bulk packages of payroll payments across the State to field offices or institutions. Other agencies contract with the Department of Administrative Services (DAS) to insert paychecks or direct deposit statements into envelopes and may have the envelopes sealed and mailed. When an agency is requested to deliver materials “with paychecks”, that request may vary from one agency to another in terms of the process and/or the budgetary impact.

.104 In all cases, electronic distribution of materials and information, when possible, is preferable to the use of paper.

Materials Permissible to Distribute With Payroll Payments

.105 Allowable distributions of materials with payroll payments are limited to the items included in the list below. Each of these items has a direct relationship to payroll and employee benefits.

a. Information that defines or provides necessary payroll related information that is intended to help the employee fully understand their pay, deductions, or adjustments.

b. Timesheets and other documents related to the collection of time and attendance data.

c. Enrollment packets, newsletters, or other information that describes or offers employee benefits that are provided by the Public Employees Benefit Board (PEBB).

d. Enrollment packets, newsletters, or other information that describes or offers employee benefits that are provided by the Public Employees Retirement System (PERS) or the Oregon Savings Growth Plan (OSGP).

e. Information or pledge documents related to the annual Combined Charitable Fund Drive or the Governor's Food Drive.

f. Information and enrollment forms related to the direct deposit of payroll payments to bank accounts or stored value cards.

g. Other information not defined in this policy that pertains to or is unique to the agency's needs or mission, as authorized for distribution by the agency.

Materials Mandated to Distribute Statewide With Payroll Payments

.106 In response to special circumstances, or an emergency condition or occurrence, agencies shall distribute with payroll payments any item mandated by the Governor or the Director of the Department of Administrative Services.

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July 1, 2005</td></tr>
<tr><td>Chapter</td><td>Payroll</td><td rowspan="2">.1 OF .1</td></tr>
<tr><td>Part</td><td>Separation of Duties</td></tr>
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Signature on file at SCD</td></tr>
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Authority **ORS 292.018**
ORS 292.036
OAM 10.10.00.PO & PR

Distribution of Payroll Checks

.101 For effective internal control, an agency payroll or fiscal employee having update access to the Oregon State Payroll Application (OSPA) should not receive or distribute payroll checks or direct deposit pay stubs. This includes daily manual payroll checks.

OSPA Access and Personal Payroll Transactions

.102 No person with update access to the OSPA should perform data entry for their own paper timesheets, gross pay adjustments, changes in tax withholding, or any correction to their own pay amounts. Agencies with a single payroll technician with no opportunity for a second person to process entries related to the payroll technician must ensure a monthly review is conducted by a person in another section, preferably management personnel.

.103 Agencies that use OSPA Online Daily Time perform an adequate review of the payroll officer’s time entry when the supervisor locks the timesheet. Agency owned time systems that batch upload time to OSPA, as long as that system provides for supervisory review of time and an approval mechanism that prevents alteration of time once approved, also provide adequate internal control.

OREGON ACCOUNTING MANUAL

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES STATEWIDE POLICY	NUMBER 45.50.00	SUPERSEDES 45.50.00 Dated 6/11/2014
	EFFECTIVE DATE 11/12/2025	PAGE NUMBER Pages 1 of 5
Division **Chief Financial Office**	**REFERENCE/AUTHORITY** ORS 292.024 ORS 292.063 Oregon Laws 2025 Chapter 602	
Policy Owner Office of the State Controller | Oregon Statewide Payroll Services (OSPS)		
SUBJECT Payroll – Collection of Overpayment of Wages	**APPROVED SIGNATURE** ***Kate Nass, Chief Financial Officer*** ***Approval on file***	

PURPOSE
This policy provides guidance on accounting, collection and notification requirements related to wage overpayments.

APPLICABILITY
This policy applies to all state agencies that are subject to the Oregon Accounting Manual (OAM), as outlined in OAM 01.05.00 *Introduction: Scope and Applicability*.

FORMS/EXHIBITS/INSTRUCTIONS
Letter of notice is included on page 5.

DEFINITIONS
Employer agency: The state agency who employs staff in the exempt, unclassified, classified and management service providing personal services to the employer.

Joint payroll account: The account in the State Treasury established by statute for the purpose of funding payroll expenses of agencies whose payrolls are processed by Oregon Statewide Payroll Services (OSPS). Agencies must reimburse this account for those expenses.

Wages: Compensation for performance of service by an employee, whether paid by the employer or another, or paid in cash or any medium other than cash.

Refer to OAM 65.00.00 *Glossary* for definitions.

EXCLUSIONS AND SPECIAL SITUATIONS
None

POLICY:

101. By submitting time in the **employer agency**’s timekeeping system, an employee attests to the accuracy and truthfulness of the report.

102. For purposes of this policy, an “overpayment” occurs when as an employee receives more gross **wages** than they were entitled. The **employer agency** shall recoup wage overpayments from the employee when allowed under this policy.

103. Overpayment of employee **wages** may occur due to late reporting of leave without pay (LWOP), employee errors, delayed personnel system actions, deduction updates or due to administrative action or administrative error.

    a. If the overpayment of **wages** is within the scope of the Workday settlement, the **employer agency** is prohibited from collecting any portion of the overpayment from the employee. Agencies shall contact OSPS for guidance if there are questions about whether the wage overpayment is within the scope of the Workday settlement. OSPS shall consult with the Chief Human Resources Office as necessary and develop resources to maintain consistency.

104. After payroll processes are completed, the **employer agency** or its agency payroll provider will run reports to identify any **wage** overpayments based on current time entry data. If an employee updates their time in a way that results in an overpayment, they must notify their supervisor immediately. Similarly, if a supervisor updates an employee’s time or is informed by the employee of such a change, the supervisor must immediately notify their agency’s payroll office and employee to ensure the requirements of paragraphs 105 and 106 are met.

    a. If an employee discovers that they have received an overpayment, they shall inform their **employer agency** or its agency payroll provider as soon as possible.

105. Beginning January 1, 2026, **Employer agencies** may not collect an overpayment of **wages** from an employee if the overpayment occurred more than 364 days prior to the notification prescribed in paragraph 106. Collection of overpayments may begin even if the overpayment occurred more than 364 days prior, provided the required notification was made within 364 days of the overpayment.

106. When an employee receives an erroneous overpayment of **wages**, the **employer agency** must ensure the following notice is provided in writing to the employee at least 10 calendar days before making a deduction to recoup the overpayment:

    a. A statement itemizing the overpayment date and amount, along with the purpose of each deduction;

    b. A statement that in no event may the total amount of the deduction exceed 5% of the employee’s gross **wages** each pay period, unless the employee otherwise requests and specifies that a greater percentage or amount be deducted; <u>and</u>

    c. A statement informing the employee that, if they are terminated or otherwise separate from the **employer agency**, the employer agency can recoup the balance owed from the employee’s final paycheck.

107. An employee that receives a notice mandated by paragraph 106 is not required to respond to the notice. If the **employer agency** or its contracted payroll provider does not receive a response from the employee within 10 days, it shall proceed with recoupment of the overpayment as it outlined in the notice provided to the employee.

108. Unless caused by administrative action or administrative error, overpayments are recovered in one lump sum, except as provided in paragraphs 109 or 110, following.

109. Except as provided in a valid collective bargaining agreement, the employee has the right to make alternate arrangements to return an overpayment in monthly amounts provided that the following conditions apply:

   a. The amount of the overpayment exceeds 5% of the employee's monthly gross **wages**.

   b. The employee has submitted accurate time and attendance information for the pay period in which the overpayment occurred; and either:

      - The employee demonstrates that an economic hardship would result for the employee if a lump sum repayment were to occur; or

      - Overpayment occurred through no fault of the employee over two or more pay periods.

110. This policy does not prevent employees from agreeing to immediate repayment paid directly to their **employing agency**, provided the other requirements of this policy are met.

111. If an overpayment is not fully repaid within the tax year that the overpayment occurred, or if the overpayment is "forgiven" and not to be repaid, the **employer agency** will gross up the amount that has not been repaid to ensure that the employee is correctly taxed on the **wages** received during the tax year. Grossing up the unpaid amount will account for the additional wages and employee portion of taxes on the unrecovered portion of the overpayment. OSPS shall provide resources to employer agencies on how to accomplish this. Once the amount is fully repaid by the employee, a corrected W-2 shall be issued to them for any year which a gross up was applied.

   a. When this occurs on overpayments that are not forgiven, the overpayment is still considered to be uncollected, and the **employer agency** must continue to pursue repayment.

112. The **employer agency** shall record the receivable for the overpayment in their accounting records. Additionally, the employer agency must ensure full repayment to the **joint payroll account** per ORS Chapter 292. Refer to OAM 45.15.00.PO and OAM 45.15.00.PR *Payroll: Payroll Accounts Reimbursement*, for the state policy and procedure on repayment to the joint payroll account for payroll and payroll-related disbursements.

PROCEDURES:

113. When an overpayment is discovered, and before funds can be recouped, the **employer agency** shall first determine the following:

a. Is the cause of the overpayment <u>outside</u> the scope of the Workday settlement? (Refer to paragraph 103a)

b. Starting after January 1, 2026, has there been less than 364 days between when the overpayment occurred and when the employee would be notified in writing of the overpayment, as required by paragraphs 105 and 106?

If the answer is “no” to either of the questions above, then the funds cannot be recouped from the employee, and the debt is to be forgiven. An **employer agency** can only recoup funds if the answers to both of the questions above is “yes”.

114. The **employer agency** will document the amount of the overpayment and send the employee a letter of notice using the example on page 5 of this policy, or a similar notice developed by the employer agency. The contents of the notice must be in compliance with paragraph 106.

Example 1

DATE:

TO:

FROM:

SUBJECT: Notice of Action to Recover Overpayment of Wages

Dear [Employee],

On [date] the department overpaid you $[amount] for the payroll period ending [date] due to [reason]. Below is an itemization of the overpayment amount(s) and purpose of each deduction:

- [Itemized overpayment deduction, including date and amount of overpayment]

The department must collect the overpayment from you. In no event may the total amount of a deduction exceed 5% of your gross wages each pay period, unless you request otherwise and specify a greater percentage be deducted. The simplest way to return the money is to sign the form below which authorizes us to deduct the overpayment from your next paycheck. Once completed, send the signed form to [Payroll Partner], which must be received by [date 10 days after employee is notified]. [Payroll Partner] also can explain other possible options for returning the money.

If you believe this action is in error, please send a written explanation to [Appropriate Person].

If the written acknowledgement of receipt of this notice is not received within 10 calendar days of receipt, we will begin withholding no more than 5% of your monthly gross pay, beginning with your next scheduled pay period on [Next Pay Date].

Please note that if the overpayment is not repaid in full, and within the same tax year that the overpayment occurred, any portion that has not been recovered will be added to your taxable wages for that tax year. If you are terminated, or otherwise separate from employment, the department can recoup the balance owed from your final paycheck.

We apologize for the inconvenience of this situation, but we are here to help you through it. Please contact our office for additional information.

Regards,

[Appropriate Person]

Authorization For Payroll Deduction:

This is my authorization to have the [Agency Name] deduct overpayment in the amount of $__________ from my next paycheck.

Employee signature[1] ___________________________ Date _________________

Note: If you have made arrangements with the payroll manager to repay in installments, please indicate below the amounts and dates the repayment will occur by payroll deductions per your approval.

[1] A digital signature is acceptable.

OREGON ACCOUNTING MANUAL		
DAS DEPARTMENT OF ADMINISTRATIVE SERVICES STATEWIDE POLICY	**NUMBER** 45.55.00	**SUPERSEDES** N/A – New Policy
	EFFECTIVE DATE 11/12/2025	**PAGE NUMBER** Pages 1 of 5
Division **Chief Financial Office**	**REFERENCE/AUTHORITY** ORS 292.024 ORS 292.063	
Policy Owner Office of the State Controller | Oregon Statewide Payroll Services (OSPS)		
SUBJECT Payroll – Collection of Employee Benefit Payment Amounts Paid by the Employer	**APPROVED SIGNATURE** ***Kate Nass, Chief Financial Officer Approval on file***	

PURPOSE
This policy provides guidance on accounting, collection and notification requirements related to the payments of employee benefits by the employer agency.

APPLICABILITY
This policy applies to all state agencies that are subject to the Oregon Accounting Manual (OAM), as outlined in OAM 01.05.00 *Introduction: Scope and Applicability.*

FORMS/EXHIBITS/INSTRUCTIONS
Letter of Notice is included on page 4

DEFINITIONS
Employer agency: The state agency who employs staff in the exempt, unclassified, classified, and management service providing personal services to the employer.

Joint payroll account: The account in the State Treasury established by statute for the purpose of funding payroll expenses of agencies whose payrolls are processed by Oregon Statewide Payroll Services (OSPS). Agencies must reimburse this account for those expenses.

Refer to OAM 65.00.00 *Glossary* for definitions.

EXCLUSIONS AND SPECIAL SITUATIONS
None

POLICY:

101. By submitting time in the **employer agency**'s time-tracking system, an employee attests to the accuracy and truthfulness of the report.

102. When an employee does not have sufficient wages in a payroll period to cover their elected benefit premiums, and the **joint payroll account** pays the employee portion of the benefit amounts on behalf of the employee, the **employer agency** shall recoup those benefit premiums from the employee when allowed under this policy.

103. Although what's described in paragraph 102 of this document actually represents an "under withholding" of the employee's portion of their benefit premiums, for purposes of this policy and related collections, these are considered and identified as "overpayments".

104. After payroll processes are completed, the **employer agency** or its agency payroll provider will run reports to identify the employee benefit amounts that should have been withheld but were not.

    a. If an employee discovers that they have received an overpayment because the appropriate amount of employee benefit premiums was not withheld, they shall inform their **employer agency** or its agency payroll provider as soon as possible.

105. Beginning January 1, 2026, **Employer agencies** may not collect an overpayment from an employee if the overpayment occurred more than 364 days prior to the notification prescribed in paragraph 106. Collection of overpayments may begin even if the overpayment occurred more than 364 days prior, provided the required notification was made within 364 days of the overpayment.

106. When an overpayment occurs, the **employer agency** must ensure the following notice is provided in writing to the employee at least 10 calendar days before making a deduction to recoup the overpayment:

    a. A statement itemizing the overpayment date and amount, along with the purpose of each deduction;

    b. A statement that in no event may the total amount of the deduction exceed 5% of the employee's gross wages each pay period, unless the employee otherwise requests and specifies that a greater percentage or amount be deducted; <u>and</u>

    c. A statement informing the employee that, if they are terminated or otherwise separate from the **employer agency**, the employer agency can recoup the balance owed from the employee's final paycheck.

107. An employee that receives a notice mandated by paragraph 106 is not required to respond to the notice. If the **employer agency** or its contracted payroll provider does not receive a response from the employee within 10 days, it shall proceed with recoupment of the overpayment as it outlined in the notice provided to the employee.

108. Unless caused by administrative action or administrative error, overpayments are recovered in one lump sum, except as provided in paragraphs 109 or 110, following.

109. Except as provided in a valid collective bargaining agreement, the employee has the right to make alternate arrangements to return an overpayment in monthly amounts provided that the following conditions apply:

a. The amount of the overpayment exceeds 5% of the employee's monthly gross wages.

b. The employee has submitted accurate time and attendance information for the pay period in which the overpayment occurred; and either:

- The employee demonstrates that an economic hardship would result for the employee if a lump sum repayment were to occur; or

- Overpayment occurred through no fault of the employee over two or more pay periods.

110. This policy does not prevent employees from agreeing to immediate repayment paid directly to their **employing agency**, provided the other requirements of this policy are met.

111. If an overpayment is not fully repaid by an employee upon separation from the **employer agency**, or if the overpayment is "forgiven" and not to be repaid, the employer agency shall submit a Workday Case to OSPS requesting a corrected Form W-2 for the tax year in which the employee received the overpayment to increase taxable wages.

112. The **employer agency** shall record the receivable for the overpayment in their accounting records. Additionally, the employer agency must ensure full repayment to the **joint payroll account** per ORS Chapter 292. Refer to OAM 45.15.00.PO and OAM 45.15.00.PR *Payroll: Payroll Accounts Reimbursement* for the state policy and procedure on repayment to the joint payroll account for payroll and payroll-related disbursements.

PROCEDURES:

113. Beginning January 1, 2026, when an overpayment is discovered, and before funds can be recouped, the **employer agency** shall first determine whether there been less than 364 days between when the overpayment occurred and when the employee would be notified in writing of the overpayment, as required by paragraphs 105 and 106.

If the answer is "no", then the funds cannot be recouped from the employee, and the debt is to be forgiven. An **employer agency** can only recoup funds if the answer is "yes".

114. The **employer agency** will document the amount of the overpayment and send the employee a letter of notice using Letter of Notice example on page 4 of this policy, or a similar notice developed by the employer agency. The contents of the notice must be in compliance with paragraph 106.

Example 1

DATE:

TO:

FROM:

SUBJECT: Notice of Action to Recover Outstanding Employee Benefit Payment Amounts

Dear [Employee],

On [date] it was determined that the department has paid the employee portion of your insurance benefit premiums on your behalf, and repayment is owed by you to the department. The total amount owed is $[amount] for the payroll period ending [date] due to [reason]. Below is an itemization of the employee benefit premium amounts that were paid by the department and purpose of each deduction:

- [Itemized list of employee insurance benefit premiums were paid by the department, including date and amounts]

The department must collect the outstanding employee benefit payment amounts from you. In no event may the total amount of a deduction exceed 5% of your gross wages each pay period, unless you request otherwise and specify a greater percentage be deducted. The simplest way to return the money is to sign the form below which authorizes us to deduct the outstanding employee benefit payment amounts from your next paycheck. Once completed, send the signed form to [Payroll Partner], which must be received by [date 10 days after employee is notified]. [Payroll Partner] also can explain other possible options for returning the money.

If you believe this action is in error, please send a written explanation to [Appropriate Person].

If the written acknowledgement of receipt of this notice is not received within 10 calendar days of receipt, we will begin withholding no more than 5% of your monthly gross pay, beginning with your next scheduled pay period on [Next Pay Date].

Please note that if the outstanding employee benefit payment amounts are not repaid in full, and within the same tax year that the employee benefits were paid by the employer, any portion that has not been recovered will be added to your taxable wages for that tax year. If you are terminated, or otherwise separate from employment, the department can recoup the balance owed from your final paycheck.

We apologize for the inconvenience of this situation, but we are here to help you through it. Please contact our office for additional information.

Regards,

[Appropriate Person]

Authorization For Payroll Deduction:

This is my authorization to have the [Agency Name] deduct overpayment in the amount of $__________ from my next paycheck.

Employee signature[1] ___________________________ Date _________________

Note: If you have made arrangements with the payroll manager to repay in installments, please indicate below the amounts and dates the repayment will occur by payroll deductions per your approval.

[1] A digital signature is acceptable.

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	50.10.00.PO
Division:	State Controller's Division	Effective date:	July 1, 2009
Chapter:	**Tax Issues**		
Part:	**Educational Assistance Payments**		
Approved:	John Radford, State Controller	Signature on file at SCD	

POLICY PURPOSE:

.101 This policy provides guidelines to state agencies for the classification, payment and reporting of educational assistance or reimbursements.

AUTHORITY: ORS 292.036; Internal Revenue Code Section 127; Internal Revenue Code Section 132(d); State HR Policy 50.045.01

EDUCATIONAL EXPENSE REIMBURSEMENTS:

.102 IRC 132(d) considers reimbursement of job-related educational expenses as a working condition fringe benefit that is not taxable income to the employee if the following rules are met.

a. The educational courses are job-related and either improve or maintain job skills, and

b. The educational courses are required by the employer or by law to keep the employee's current position, status, salary level or certification.

.103 IRC 132(d) defines educational expenses for which the reimbursement is taxable income to the employee as the following:

a. Courses needed to meet the minimum educational requirements of the current job, if the employee did not possess those minimum educational requirements when hired. (This may be non-taxable under IRC 127, Educational Assistance.)

b. Courses that qualify the employee for a new trade or business.

.104 Expenses that qualify for educational expense reimbursement under IRC 132(d) include:

a. Tuition, books, supplies and equipment

b. Travel and transportation costs

c. Undergraduate or graduate level courses

EDUCATIONAL ASSISTANCE PROGRAM:

.105 IRC 127 considers educational expenses paid or reimbursed through a qualified employer educational assistance program as non-taxable income to the employee, if certain requirements are met:

a. The employer must maintain a written plan.

b. Payments are limited to $5,250 per calendar year.

Non-job related educational expenses and educational expenses needed to meet the minimum educational requirements of a currently-held position qualify for reimbursement under an IRC 127 plan.

.106 IRC 127 limits expenses related to an educational assistance program to tuition, books, supplies and equipment necessary for class. Transportation, lodging and meals, as well as tools or supplies that the employee may keep once the course is completed, are not covered. Educational expenses related to sports, games or hobbies are also excluded unless they are job-related.

REVIEW AND APPROVAL:

.107 The agency head or designee must ensure that the agency's educational reimbursement or educational assistance policy is consistent with State HR Policy 50.045.01. Agency management must determine the taxability of all educational payments and must communicate the tax status to the affected employee.

.108 Management must review and approve all educational payments. Agencies must retain signed and dated authorizations in the employee's payroll file for five years following payment. The authorization must include the employee's name, the course name and description, amount paid, and taxability status.

.109 Agencies must make educational assistance payments to employees on a reimbursement basis, unless agency management approves an exception in writing.

.110 Agencies must pay or record all educational assistance payments through the Oregon State Payroll Application (OSPA). Refer to the companion procedure OAM 50.10.00.PR for details.

DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Procedure

OREGON ACCOUNTING MANUAL

Subject:	Accounting and Financial Reporting	Number:	50.10.00.PR
Division:	State Controller's Division	Effective date:	July 1, 2009
Chapter:	**Tax Issues**		
Part:	**Educational Assistance Payments**		
Approved:	John Radford, State Controller	Signature on file at SCD	

AUTHORITY: ORS 292.036; Internal Revenue Code 127; Internal Revenue Code 132(d); State HR Policy 50.045.01

PROCEDURES:

.101 Agency management must authorize educational assistance or reimbursements in compliance with IRS regulations, OAM 50.10.00.PO and State HR Policy 50.045.01. Agencies must classify all payments as taxable and non-taxable, and receipts or other documentation must support the payments.

.102 Agencies must pay or record both taxable and non-taxable educational assistance payments through the Oregon Statewide Payroll Application (OSPA), using pay code EDN for non-taxable payments and pay code EDT for taxable payments.

a. To reimburse an employee for educational expenses, the agency's payroll unit enters the transaction into OSPA as a gross pay adjustment, using the code(s) noted above. The employee will receive the reimbursement in the next regularly scheduled payroll.

b. To record advances made to the employee or paid directly to a third party, the agency's payroll unit first enters the payments as a gross pay adjustment into OSPA using the code(s) noted above. If the agency paid the advance to the employee, the agency's payroll unit enters a PANN transaction on the employee deduction screen. If OSPS paid the advance using a manual check, the agency's payroll unit enters a PPNN transaction on the employee deduction screen. In either case, the entry on the deduction screen must match the amount of the advance. **Employees may see a reduction in their net pay when the related taxes are deducted.**

.103 Educational expense or assistance payments post to comptroller object 4406 Professional Development.

.104 Agencies must retain authorizations for these payments in the employee's payroll file for a minimum of five years.

OREGON ACCOUNTING MANUAL

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STATEWIDE POLICY</td><td>NUMBER

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50.20.00.PO & .PR dated 07/01/2009</td></tr>
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04/17/2018</td><td>PAGE NUMBER
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<tr><td>Division
Chief Financial Office

Policy Owner
Statewide Accounting and Reporting Services</td><td colspan="2">REFERENCE/AUTHORITY

5th U.S. Congress House Bill 1
Publication 15 (Circular E), Employer's Tax Guide 2018
Internal Revenue Code Section 132 (g)
Internal Revenue Code Section 217 (k)</td></tr>
<tr><td>SUBJECT

Tax Issues – Moving Expenses</td><td colspan="2">APPROVED SIGNATURE

George Naughton, Chief Financial Officer
Signature on file</td></tr>
</table>

PURPOSE
This policy provides direction to agencies on tax issues associated with moving expense reimbursements.

APPLICABILITY
This policy applies to all state agencies as defined in **OAM 01.05.00.**

POLICY:

101. The agency shall determine whether it agrees with the employee to pay moving expenses in accordance with DAS Chief Human Resources Office (CHRO) Policy No. 40.055.10 Current Employee Relocation and CHRO Policy No. 40.055.20 New Employee Relocation.

102. The agency shall only reimburse for eligible moving expenses, as identified in the CHRO policies referenced in paragraph 101.

103. As of January 1, 2018, all moving expense payments and reimbursements are, on their face, taxable. However, moving expenses for employees who are members of the Armed Forces of the United States who move pursuant to a military order and incident to a permanent change of station are eligible for non-taxable moving expense reimbursement. Contact DAS Oregon Statewide Payroll System (OSPS) for proper payroll coding.

PROCEDURES:

104. The employee submits a single moving expense claim along with supporting documentation.

105. The agency payroll office enters a gross pay adjustment for the taxable (or non-taxable if applicable) portion.

106. The expense amount net of taxes will be included in the employee's next electronic deposit or pay check.

107. OSPS will charge the payment to comptroller object 3810, Employee Relocation-Payroll.

108. Payments directly to vendors can be made through the Statewide Financial Management Application (SFMA). If paid thorugh SFMA, the agency payroll office enters the gross pay adjustment for a non-cash taxable (or non-taxable if applicable) moving expense.

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Authority **ORS 283.395**
OAR 125-155
IRS Regulations §§1.61-21, 1.162-2(d)
IRS Publication 15-B

.101 Use of state-owned vehicles for any personal purpose is not allowed, per ORS 283.395. OAR 125-155 provides rules for the use of state vehicles.

.102 Situations exist where there is a distinct advantage for a state agency to have an employee garage a state vehicle at home. OAR 125-155-0600(2) requires that agencies perform a cost benefit analysis before approving such vehicle assignments. Further, vehicles assigned to be garaged at the home of a state employee must be a benefit to the state and must meet one of the following conditions:

a. Assigned, normal duties require the driver to frequently travel to urgent, unscheduled field work after hours. The mere possibility of being called out is not sufficient. Call-outs must actually occur with justifiable frequency.

b. The driver's home is his or her official duty station from which he or she engages in virtually full-time field work away from the office or motorpool.

c. It will clearly reduce state paid time to permit a driver to park a state vehicle at home while on temporary assignment away from the duty station.

d. Other circumstances caused by state business in which home garaging will clearly reduce direct costs to the agency.

.103 If an assigned vehicle garaged at home is used to commute to the employee's duty station, that use is a taxable fringe benefit. IRS regulations require the value of the use to be reported as taxable income on the employee's W-2 form.

.104 Ongoing use of a state vehicle when a state employee is on call 24 hours a day and is assigned a specially equipped state vehicle such as a police car with lights and sirens does not violate ORS 283.395. OAR 125-155-0900(9) permits only the Governor, the Director of the Department of Corrections, the Adjutant General of the Oregon Military Department and the Superintendent of State Police to use specially equipped vehicles at all times and places. All others must comply with OAR 126-155-0600.

.105 There may be occasional instances when the agency may allow an employee to park a state vehicle at home when the departure is so early or the return so late that it is impractical to pick up or return the vehicle to the motor pool on the same day. Good judgment should be exercised and the circumstances well documented.

OREGON ACCOUNTING MANUAL		Number 50.30.00.PR
Oregon Department of Administrative Services State Controller's Division	**Procedure**	Effective Date November 1, 2002
Chapter	**Tax Issues**	.1 OF .2
Part	**Fringe Benefits – Vehicles**	
Section		Approval Signature on file at SCD

Authority **ORS 283.395**
OAR 125-155
IRS Regulations §§1.61-21, 1.162-2(d)
IRS Publication 15-B

Determination of Taxable Amount

.101 If an assigned vehicle garaged at home is used to commute to the employee's official duty station, that use of the vehicle becomes a taxable fringe benefit to the employee, and the value must be reported as taxable income on the employee's W-2 form.

.102 Commuting to the official duty station (personal use) in a state-owned vehicle garaged at home may be valued using one of two valuation rules as defined by the IRS.

<u>Commuting Valuation Rule</u>. The value of commuting can be valued at $1.50 each one-way trip if:

a. You require the employee to commute in this vehicle, and

b. The employee is not an elected official, a director, or an employee who earns more than $160,000 annually.

The employee is required to maintain a monthly or quarterly log of commutes to work and return. The employee must provide that signed and dated log to the agency at the end of each month or quarter. The calculation of the imputed value of the vehicle use is calculated by multiplying the number of one-way commutes by $1.50.

<u>Cents-Per-Mile Rule</u> may be used if:

a. The vehicle is driven at least 10,000 miles per year, and

b. The fair market value of the vehicle doesn't exceed $15,400 (revised annually), and

c. 50% of the miles driven in the vehicle must be for official state business.

The employee is required to maintain a monthly or quarterly log of the miles per each one-way or round-trip commute and provide that signed and dated log to the agency at the end of the month or quarter. The calculation of the imputed value of the vehicle use is calculated by multiplying the number of miles by the prevailing business mileage rate. The mileage rate for 2003 is 36 cents per mile. That rate may be reduced by no more than 5.5 cents per mile if the state does not provide the fuel.

.103 The agency is required to notify each employee who garages a state vehicle at home that there is a taxable value associated with each commute to the official duty station and the method that will be used to value the commute. The agency is required to define a record-keeping methodology and notify the employee of the requirements.

Reporting Procedure

.104 These fringe benefits will be reported through the payroll system either monthly or quarterly. Reporting for the months of November and December can be deferred to the next tax year; that is, tax year reporting can be for benefits received for the period November 1 through October 31 of the next year.

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<tr><td>Part</td><td>1099-MISC Reporting</td></tr>
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Signature on file at SCD</td></tr>
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Authority — Internal Revenue Service publications:
Instructions for Forms 1099, 1098, 5498, 1096, and W-2G
Publication 1179 - Specifications for Paper Document Reporting and Paper Substitutes for Forms 1096, 1098, 1099 series, 5498, and W-2G
Publication 1220 - Specifications for Filing Forms 1098, 1099, 5498, and W-2G Magnetically or Electronically
Publication 1281 - Backup Withholding on Missing and Incorrect Taxpayer Identification Numbers
Publication 1586 - Reasonable Cause Regulations and Requirements as They Apply to Certain Information Returns
Publication 1679 - A Guide to Backup Withholding

.101 The State must comply with reporting requirements for Internal Revenue Service (IRS) **information returns**. All **agencies** must comply with IRS requirements by acquiring, accumulating, and reporting information required on information returns, except the information identified below as the responsibility of Statewide Financial Management Services (SFMS).

.102 SFMS is responsible for coordinating all information return compliance issues and related liaison activities between the State and the IRS for vendors in the Statewide Financial Management System receiving a form 1099-MISC. SFMS is responsible to provide specific guidance, instruction, and current information to all agencies on all aspects of information return reporting as follows:

a. Information and interpretations of form 1099-MISC reporting criteria.
b. Accumulation of payment information.
c. Backup withholding requirements including calculation, deposits, and reporting.
d. Filing requirements for original, computer-generated, manually prepared, and corrected information returns.

.103 SFMS will provide verification procedures and review of Statewide Financial Management System data for all magnetic media data to ensure the accuracy and completeness of information before submission to the IRS.

.104 Each agency is responsible for preparing, implementing, and maintaining policies and procedures to meet its federal information return requirements.

.105 Those agencies that are responsible for filing returns that are unique to their operations may elect to act as their own agent for coordinating the filing of such returns. If they also elect to file their own 1099-MISC forms, they must request an exception from SFMS Operations. If an agency is required to file other types of 1099 forms, the agency must use its own unique Federal Employer Identification Number (FEIN). The agency is responsible and accountable for correct and timely filing of such returns.

OREGON ACCOUNTING MANUAL		Number 50.50.00.PR
Oregon Department of Administrative Services State Controller's Division	**Procedure**	Effective Date August 1, 2001
Chapter	**Tax Issues**	.1 OF .3
Part	**1099-MISC Reporting**	
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Authority

Internal Revenue Service publications:
Instructions for Forms 1099, 1098, 5498, 1096, and W-2G
Publication 1179 - Specifications for Paper Document Reporting and Paper Substitutes for Forms 1096, 1098, 1099 series, 5498, and W-2G
Publication 1220 - Specifications for Filing Forms 1098, 1099, 5498, and W-2G Magnetically or Electronically
Publication 1281 - Backup Withholding on Missing and Incorrect Taxpayer Identification Numbers
Publication 1586 - Reasonable Cause Regulations and Requirements as They Apply to Certain Information Returns
Publication 1679 - A Guide to Backup Withholding

Scope and Applicability

.101 The following procedures pertain to the filing of forms 1099-MISC. If your agency is subject to reporting for other types of 1099 forms, these procedures may not cover all reporting situations. For additional information, check the Internal Revenue Service (IRS) instructions for filing information returns (see Authority above). To further clarify requirements for filing any information returns, contact the Vendor Accountant in Statewide Financial Management Services (SFMS).

Payments Subject to 1099-MISC Reporting

.102 SFMS Operations files all 1099-MISC forms for all Statewide Financial Management System (SFMS) vendors that meet the reporting requirements. State agencies are required to file form 1099-MISC for non-SFMS vendors and all other types of 1099 forms.

.103 Reportable payments are those that are made for services, rent, royalties, or other things of value (e.g. prizes and awards, remunerations, emoluments, gains, profits, or income). The payments are reportable whether the paying agency directly receives the benefit of the services or whether they are paying for services received by a third party.

.104 Vendors subject to reporting are any vendors that are not corporations, except for medical corporations which are subject to reporting. Payments to companies, sole proprietorships, estates, trusts, partnerships, medical corporations, individuals, or non-profit organizations are all reportable.

.105 1099-MISC reporting is on a calendar year rather than a fiscal year basis and will include reportable payments totalling in excess of $600 made within the calendar year being reported, whether or not the services were performed within the same calendar year in which the payments were made.

Obtaining a Proper Taxpayer Identification Number

.106 In order to file forms 1099-MISC with the IRS, it is necessary to include the vendor's Taxpayer Identification Number (TIN). A taxpayers' TIN can be either a social security number or a federal identification number. In order to create a new vendor on SFMS, the TIN must be available.

.107 There is no required form to be used in requesting TINs, and agencies may make the request either orally or in writing. Form W-9 is sent out from SFMS Operations for non-corporate vendors and medical corporations. It is also available from the IRS for use in requesting TINs.

.108 Personal services contracts issued by the Department of Administrative Services Transportation, Purchasing, and Print Services (TPPS) Division include a section on the signature page of the contract which requests the new vendor's TIN. TPPS purchasing analysts handle all contracts awarded for $25,000 and above, and the analysts' request the number as part of the process of issuing the contract. Contracts for less than $25,000 are handled by the agency that is actually buying and receiving the goods or services described in the contract. Each agency is responsible for developing internal procedures that instruct personnel involved in any purchasing function for the agency to request the TIN. If an agency uses a vendor whose contract was handled by TPPS, they may contact TPPS to determine if a TIN was submitted by the vendor and to request the number for the agency's records. However, if a TIN was not received by TPPS and the agency uses the vendor, the agency must follow up with requests for the TIN from the vendor directly as in paragraph .107 above. The agency who incurs a liability to a given vendor is responsible for the reporting of the TIN to the IRS whether or not a third party was involved in hiring the vendor.

Locating Missing Vendor Information

.109 If vendor data collected by an agency is found to be in error or incomplete and the agency encounters difficulty in contacting the vendor, information regarding companies or individuals who do business in the State of Oregon may be available for those companies or individuals who are registered with the Corporation Division of the Secretary of State. Some of the information that may be available includes:

a. Registry Number - an eight digit number assigned by the Corporation Division.

b. Entity Name - name under which the entity does business.

c. Owner's Name - name of the owner of the entity.

d. Principle's Name - name of individual with primary responsibility for the business.

e. Address - address of the entity, principle, and owner.

.110 The above information may be obtained by contacting the Corporation Division and requesting the information, which, if available for a given entity, will be printed in hardcopy for inquiring agencies for a fee of $1.00 per inquiry. The agency may also access the Corporation Division's Business Registry Database through the Secretary of State's website.

Backup Withholding Requirements

.111 The IRS requires backup withholding (similar to income tax withholding for employees) on payments to vendors under any of the following circumstances:

a. The vendor did not provide a TIN as requested by an agency (see .106 through .108 above).

b. SFMS has received two "B Notices" from the IRS regarding a given vendor within a three year period.

.112 The backup withholding rate is 31 percent prior to August 6, 2001, and 30.5 percent thereafter and is required to be withheld on all sums due to a vendor who meets the criteria in .111 above, even if the amount is less than $600 in a calendar year.

.113 SFMS Operations is responsible for processing backup withholding for vendors on the Statewide Financial Management System.

Filing Requirements and Deadlines

.114 Reporting on form 1099-MISC is on a calendar year basis and filing deadlines occur very quickly after a calendar year ends; the deadline for filing forms with the IRS is February 28th, and payee copies of the forms must be distributed to the vendors by January 31st. SFMS Operations is responsible for the timely filing of 1099-MISC information for SFMS agencies. Agencies are responsible for providing accurate information. Agencies are also responsible for filing any other form 1099 required to be filed.

Filing Penalties

.115 The IRS may assess penalties against any entity, including any state agency, that is required to file form 1099-MISC and fails to file, files forms with incorrect information, files unprocessable forms, or fails to file on magnetic media. Penalties may be assessed against the Employer Identification Number under which an agency was required to file forms.

OREGON ACCOUNTING MANUAL		Number 50.60.00.PO
Oregon Department of Administrative Services State Controller's Division	**Policy**	Effective Date August 24, 2004
Chapter	**Tax Issues**	.1 OF .1
Part	**Mass Transit Tax**	
Section		Approval Signature on file at SCD

Authority **ORS 291.405**
ORS 291.407

.101 Any **agency,** maintaining a branch, office, or other physical location within the boundaries of a mass transit district or transportation district is subject to the provisions of this policy. All employees whose official station is within the boundaries of a mass transit district or transportation district are subject to a state-paid payroll assessment of not more than six tenths of one percent (.006) of gross wages. All agencies must send or make available the appropriate amount of tax to the Department of Administrative Services (DAS) for deposit in the Mass Transit Assistance Account for subsequent distribution to mass transit districts/transportation districts throughout the state.

.102 An annual review of the **mass transit tax** rate by the Department of Transportation will be conducted and communicated to the State Controller's Division to ensure that agencies are not being over-assessed and that mass transit districts/transportation districts are receiving the appropriate amount allowed by statute. Mass transit tax rates will be adjusted as necessary to ensure that no more than a prudent surplus is maintained in the Mass Transit Assistance Account.

.103 The US Department of Health and Human Services has interpreted **OMB Circular A-87**, *Cost Principles for State and Local Governments*, such that the Mass Transit Tax is not a qualifying payment for reimbursement with federal funds. Therefore, salaries paid with federal funds are exempt from the mass transit tax. Although non-federal expenditures from state resources must be paid, the mass transit tax cannot be used as match against federal funds.

.104 The availability of mass transit to employees and persons having business with the state is a benefit to those agencies located in a mass transit district, transportation district and/or service district. Also, in exchange for payments made to these districts, as authorized under ORS 291.405 and 291.407, the state and its agencies shall be exempt from any parking code requirements for existing state-owned buildings, construction of new state buildings, or the renovation of existing state buildings which have been or may be established by any political subdivision within the boundaries of a mass transit district or transporation district receiving such payments.

.101 The Department of Transportation (ODOT) will send written documentation to inform the State Controller's Division of any changes associated with mass transit boundaries or rates.

.102 Based on the boundary and rate information provided, each valid position number in the Position Inventory Control System (PICS) and the Personnel Position DataBase (PPDB) is linked to a work location designated by a city/county code. All valid Mass Transit Codes (listed below) are linked to a corresponding city/county code. When a position is filled, and an employee is attached to the position, the appropriate fields designating the city/county and Mass Transit district are automatically populated. The following mass transit codes can be found in the personnel system:

C – Tillamook County
E – Sunset Empire (Astoria, Hammond, Seaside, and Warrenton)
H – Hood River Transit District
K – Basin Transit Service District (Klamath Falls)
L – Lane County Mass Transit District
M – Mololla Transit District
R – Rogue Valley Transportation District
S – Salem Transit District
T – Tri-County Metropolitan District (Portland)
X – Not Subject (All Others)
Y – Lincoln County (Lincoln City, Newport, Siletz, and Waldport)

.103 In the event of an employee temporary location change, the agency personnel office can override the designation of the city/county code. Agencies will want to maintain a record of all temporary location changes. The temporary location change process must take place for each new employee. If the position is permanently relocated, there is a specific action that must take place to have the position master record changed to connect with the new city/county code.

.104 For agencies using the Statewide Financial Management Application (SFMA), SFMA will automatically generate mass transit and move the generated mass transit funds to the Mass Transit Assistance Account. Salaries paid with federal funds are exempt from mass transit tax. Federal funds can be designated in SFMA either by the position or portion of the position having a federal fund PCA(s) in PPDB or the agencies taking an overall mass transit reduction via the D54 screen, Table ID: PARM in SFMA. It is the agency's responsibility to be able to document and ensure the federal, non-federal split is accurate.

.105 The Statewide Financial Management Services staff monitors the agency payables, including Mass Transit, compared to the Department of Administrative Services' receivable to ensure both sets of transactions balance and are reimbursed timely.

.106 For agencies on the Oregon State Payroll Application (OSPA) and not on SFMA, the OSPA calculates the Mass Transit amount due.

a. The Department of Administrative Services, Office of Business Administration, (OBA) invoices the agency.

b. Non-SFMA agencies are responsible to pay the mass transit tax to the OBA monthly.

.107 The Office of Business Administration is responsible for the following Mass Transit processes:

a. Deposit receipts associated with the mass transit tax in the Mass Transit Assistance Account.

b. Distribute the mass transit tax quarterly to the appropriate districts based on calculations and reports identifying tax revenue levied/collected on behalf of the districts.

c. Coordinate resolution of all subsequent adjustments by a state agency or mass transit district/transportation district. Research and resolve all questions concerning over-assessment and under-assessment of taxes. Assure proper payments are made to resolve negotiated adjustments.

d. Coordinate with the Department of Transportation, Public Transit Division and the affected entities, as necessary, to provide information and resolve disputes.

OREGON ACCOUNTING MANUAL

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES STATEWIDE POLICY	NUMBER 55.30.00	SUPERSEDES 55.30.00 dated 05/02/2019
	EFFECTIVE DATE 04/24/2023	PAGE NUMBER Pages 1 of 14
Division **Chief Financial Office**	**REFERENCE/AUTHORITY** ORS Chapter 291 ORS Chapter 293	
Policy Owner Statewide Accounting and Reporting Services		
SUBJECT Other Programs – SPOTS Purchase Card Program	**APPROVED SIGNATURE** ***Kate Nass, Chief Financial Officer*** ***Signature on file***	

PURPOSE
This policy outlines the minimum standards for processing purchasing transactions using the State P-Card of Oregon Transaction System (SPOTS) card. The SPOTS card is a state-sponsored credit card that agencies may use to procure and pay for goods and services. The SPOTS card program saves the state time and money because the bank and merchants process most of the paperwork. This reduces the need for agencies to issue purchase orders in some circumstances or to rely on petty cash funds.

APPLICABILITY
This policy applies to all Executive Branch agencies that participate in the SPOTS card program. Agencies in other branches of government and separate constitutional agencies may participate in the SPOTS card program if they adopt rules and policies substantially similar to the guidelines in this policy. This policy does not apply to state government's corporate travel card, fleet card and Central Travel System (CTS) accounts.

FORMS/EXHIBITS/INSTRUCTIONS
SPOTS Agency Operating Agreement – **75.55.01.FO**

SPOTS Card Application and Agreement – **75.55.02.FO**

DEFINITIONS:
Access Online is US Bank's proprietary system used for SPOTS card management.

A **card custodian** is the employee responsible for safeguarding the assigned department card.

A **cardholder** is an employee with an individually assigned card in their name.

A **department card** is a card issued to an agency program, division, department or other segment and assigned to a card custodian.

A **designated card user** is an individual authorized to use a department card of an agency rather than a cardholder of an individually assigned account.

Fragmenting is purposely splitting purchases at the point of sale to avoid procurement requirements or established transaction limits.

The **SPOTS Approving Officer** (Approving Officer) is responsible for the agency's SPOTS card program.

The **SPOTS Coordinator** maintains the purchase card accounts, assists with development of agency-based policies and procedures, provides training, and compliance monitoring.

Click here for other **definitions**.

EXCLUSIONS AND SPECIAL SITUATIONS

None.

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General Provisions

101. **Participation.** State agencies may participate in the SPOTS program by submitting the Agency Operating Agreement form **75.55.01.FO** to the DAS EGS Financial Business Systems (FBS) Manager. FBS forwards the request to US Bank (the bank) and notifies the agency when a managing account is established. FBS will remove an agency from the SPOTS card program if the agency does not comply with this policy. For an agency to request reinstatement, they must complete a new Agency Operating Agreement. The agency must include documentation of the actions taken to correct the deficiencies that led to the removal from the program.

102. **Expenditure Authority.** Payments made through the purchase card program must comply with the following requirements:

    a. **ORS 293.295 When claim against moneys in State Treasury may be paid.** A claim for payment from any moneys in the State Treasury may not be paid unless:

        1. The claim is supported by the approval of the state agency that incurred the obligation or made the expenditure;

2. Provision for payment of the claim is made by law and appropriation;

3. The obligation or expenditure on which the claim is based is authorized as provided by law; and

4. The claim otherwise satisfies requirements as provided by law. [1967 c.454 §9]

Purchasing Requirements

103. Agencies that use the SPOTS card to pay for goods and services must follow the Public Contracting Code found in ORS 279. The code includes the following topics:

   a. A procurement of goods or services not exceeding $10,000 are awarded in any manner the contracting agency deems practical or convenient under ORS 279B.065(1), including by direct selection or award.

      For a procurement with a value of $10,000 or more, ORS 200.035 requires a state agency to provide timely notice and information to the Governor's Policy Advisor for Economic and Business Equity. See DAS Statewide Policy number 107-009-0030-PO and Statewide Procedure number 109-009-0030-PR for more details.

   b. According to ORS 279B.065 (2), an agency must not fragment or separate purchases to get around solicitation requirements. Fragmenting a purchase using a SPOTS card is unauthorized.

   c. Agencies may use the SPOTS card to make purchases on state price agreements. The state may require a purchase order to purchase some items whether or not a price agreement exists. The terms and conditions of the price agreement take priority. Use of the SPOTS card must not replace a purchase order where one is required. Products purchased with the SPOTS card must reflect the same price, terms, and conditions as those listed in the price agreement, unless contract language grants additional consideration to a vendor. In cases where a vendor receives additional consideration for accepting SPOTS cards, the modified contract terms will prevail. An agency must not use a SPOTS card to avoid the requirement to use a state price agreement.

Access Online

104. Agencies use Access Online on the US Bank website for management and oversight of SPOTS cards. System training is available online in various formats.

   a. Users can view real time pending transactions, credit limits, available credit, account status, payment history, billing cycle statements and other account profile information.

   b. Functions include account setup and maintenance, reporting, transaction management, financial extracts, and data exchange.

   c. Management reporting provides historical transaction data. Basic reports include transaction detail, account list, declined transaction authorizations, and system user list.

Roles and Responsibilities

105. <u>Statewide Program Administrator</u>

Two divisions of the Department of Administrative Services (DAS) have responsibility for the SPOTS card program: the Chief Financial Office (CFO) and Enterprise Goods and Services (EGS). Within EGS, two units have responsibility: Procurement Services (PS) and Financial Business Systems (FBS). The CFO will issue overall policy guidance. EGS/FBS will coordinate with participating agencies and the card provider and assist agencies in establishing their SPOTS card programs. EGS/PS will negotiate, prepare, and sign the Master Agreement with the bank.

106. Agency Head

a. Each agency head, or persons with delegated authority, must appoint an Approving Officer and, if appropriate, an alternate.

b. To change an agency's Approving Officer, the agency head or delegate must send a memo or email to FBS Management. Include the name of the outgoing person; the name, telephone number, and email address of the new Approving Officer; and the effective date.

107. Approving Officer

a. The Approving Officer authorizes and may select employees to use the SPOTS card for purchases of services and supplies. If an agency uses a department card, the Approving Officer authorizes the designated card custodian and, if appropriate, an alternate. The Approving Officer should keep in mind the relationship between the SPOTS card user's employment classification and the spending limit of the card. The agency should consider performing background checks on all staff participating in the SPOTS card program. The Approving Officer is not authorized to be a cardholder, card custodian, or designated card user.

b. The Approving Officer will appoint a SPOTS Coordinator and, if appropriate, an alternate.

c. To change an agency's SPOTS Coordinator, the Approving Officer must send a memo or email to FBS Management. Include the name of the outgoing person; the name, telephone number, and email address of the new SPOTS Coordinator; and the effective date.

d. The Approving Officer grants restricted system access to Access Online. Only the SPOTS Coordinator can open accounts and change credit limits. Agencies may grant users "view only" access or "transaction management" access. Users must not allow other individuals to use their password.

108. SPOTS Coordinator

a. SPOTS Coordinators use Access Online to open and close accounts, change account spending limits, update account information, and monitor card activities delegated to them by the Approving Officer. SPOTS Coordinators need position descriptions that include specific job responsibilities related to the agency's SPOTS card program, including development of agency-based policies and procedures, training, and compliance monitoring.

b. The agency must take action on a SPOTS card when a cardholder leaves the agency, no longer needs the card or is on extended leave. This includes collecting the physical card and cancelling or securing it immediately. The SPOTS Coordinator maintains the accounts in Access Online using the following actions:

(1) Close an account using "T9 Terminated" (permanent) when the cardholder is no longer authorized to use the card.

(2) Temporarily close an account using “V9 Voluntarily Closed” when the cardholder is out on extended leave for a job rotation, medical leave, seasonal employment, etc.

A department card must be permanently closed when the card custodian separates from their role as custodian.

c. The SPOTS Coordinator should not be a card custodian, a designated card user, or a cardholder unless the agency can demonstrate a substantial business need (e.g., the agency is too small to effectively separate the duties) and the Approving Officer agrees to monitor the SPOTS Coordinator’s card use. To request an exception, send a memo or email to FBS Management describing the business need and the additional controls the Approving Officer will use.

109. Card Custodian

For agencies using department cards, the card custodian administers and controls the use of the card. The card custodian must:

a. Manage physical custody and security of the SPOTS card and account number

b. Maintain records of card check out and check in by designated card users

c. Maintain purchase documentation

d. Ensure card use complies with agency policies and procedures

e. Reconcile bank transactions with receipts monthly

f. Sign monthly reconciliation

110. Designated Card User

A designated card user of a department card must:

a. Check the card in and out from the card custodian

b. Use the card in compliance with agency policies and procedures

c. Obtain and submit purchase documentation for each purchase made

111. Cardholder

An individual cardholder must:

a. Use the card in compliance with agency policies and procedures

b. Obtain purchase documentation

c. Reconcile bank transactions with receipts monthly

d. Sign monthly reconciliation

Agency Policies and Procedures

112. Agencies must develop policies and procedures to implement the SPOTS program. Agencies may adopt the language of this OAM policy as long as they clearly identify the procedures they will follow when alternatives exist. The policies and procedures must conform to statewide policies and procedures and must accomplish the following:

a. **Program Options**. Identify the SPOTS program options selected by the agency's Approving Officer and any specific guidelines for implementing those options.

b. **Separation of Duties**. Specify the individuals involved in the agency's SPOTS card program. If possible, allocate key duties and responsibilities among different personnel to reduce the risk of misuse or fraud. This includes separating the responsibilities for authorizing transactions; processing and recording transactions; reviewing transactions; and custody of any related assets. The state requires separating the duties of the individual who makes the purchase from the individual who approves the purchase. Consistent with **OAM 10.40.00**, *Expenditures* (paragraph 107), consideration of risk, materiality, and required effort are key elements in management's evaluation of necessary controls.

c. **Card Distribution**. Establish a system for responsibility, control, and distribution of SPOTS cards within the agency.

d. **Authorize Card Use**. Specify which employees can use the SPOTS card or authorize its use. Only specified employees can use the card or authorize its use.

e. **Errors, Negligence, and Fraud**. Establish procedures for SPOTS card misuse and fraud.

f. **Monitoring**. Establish and maintain a formal monitoring process.

g. **Late Payments**. Specify procedures to avoid finance charges for late payments.

h. **Duplicate Payments**. Establish appropriate policies and controls to prevent or monitor for duplicate expenditures and employee reimbursements.

SPOTS Card Training

113. Training is an essential element of a successful SPOTS card program. FBS will provide agencies with an approved SPOTS training program. If an agency wants to follow a different program, it must request approval from FBS for agency-specific training.

114. Agencies must:

a. Train cardholders, card custodians, and designated card users prior to issuance of a SPOTS card.

b. Train the managers and supervisors that approve SPOTS card purchases.

c. Document that each of the above has received initial training and training within a year of this OAM revisions or every other year.

d. An agency must suspend the SPOTS card use of any employee who has not taken required training.

115. FBS will conduct annual training for all agency SPOTS Approving Officers and Coordinators. If requested, FBS will train SPOTS Coordinators on the use of Access Online. FBS will provide statewide training when a rewrite of this OAM requires updates to the approved SPOTS training program.

Issuing Cards

116. SPOTS cards may be issued to individuals and/or departments. The individual SPOTS card is issued to a specific person. The department SPOTS card is issued to a department and assigned to a custodian.

117. The agency's SPOTS Coordinator will process new card requests, up to a credit limit of $50,000, in Access Online based on the approved SPOTS Card Application and Agreement Form **75.55.02.FO**.

118. The bank will automatically replace active cards prior to the card's expiration date. When a card is activated and not used, it will remain on the bank's system until it is due to expire.

    a. If the card has an open status at the time of renewal, but no activity for 22(+) months, it will purge from the bank's system.

    b. If the card has a T9 or V9 status and 12 months of inactivity, it will purge from the bank's system.

119. To request a credit limit of more than $50,000, see paragraph 122, **Credit Limits and Card Controls.**

Emergency Response Cards

120. An Emergency Response Card (ERC) is a SPOTS card intended for emergency purposes. An ERC is under a separate managing account that does not automatically purge from the bank's system due to inactivity. The agency requests the credit limit as part of the emergency preparedness planning and consultation with the Bank Relationship Manager if needed. All other features of an ERC are the same as a regular SPOTS card.

    Agencies must contact FBS Management to request an ERC managing account. FBS forwards the request to the bank and notifies the agency when the managing account is established. The SPOTS Coordinator uses Access Online to issue and maintain the accounts. FBS must approve requests to increase the credit limit above $50,000 as described in paragraph 122 below.

    Each agency must determine if a need exists to designate emergency cardholder(s). Not all agencies will have a need for an emergency card, while some agencies will have a need for more than one card. ERC issuance and transactions must comply with the same requirements as regular SPOTS cards provided in this policy.

    In an emergency, cards requested under an existing ERC managing account ship out the same day for next day delivery if requested by 3 p.m. Central Standard Time (CST) on business days.

    The bank will do everything possible to assist agencies in an emergency. Approving Officers and SPOTS Coordinators are authorized contacts with the bank and may contact their Bank Account Coordinator during business hours or Customer Service, 1-800-344-5696, after hours.

Credit Limits and Card Controls

121. SPOTS cards are subject to monthly credit limits established when issued. The agency's Approving Officer may authorize an increase up to a maximum of $50,000 or decrease the credit limit based on anticipated need or actual use. The monthly credit limit equals the maximum dollar limit of the total amount spent on purchases during a single billing cycle. The bank restores the monthly credit limit at the beginning of each billing cycle. SPOTS Coordinators adjust credit limits using Access Online.

122. FBS Management must approve requests to increase the credit limit of a SPOTS card above $50,000. Agencies must submit a new SPOTS Card Application and Agreement for approval from the Approving Officer or SPOTS Coordinator. The Approving Officer must sign the form. Include the reason for the increase, explain internal controls, receipting and storage methods for the items purchased and explain how the agency will use and store the card. The additional information can be provided in a memo. FBS notifies the agency when the increase is complete.

123. The agency should consider setting single transaction limits as a spending control. A single transaction limit of no more than $10,000 is best because of the specific procurement rules that apply to purchases over this amount.

124. Cardholders and designated card users must not make purchases for more than the credit limit established for their SPOTS cards.

125. Intentionally fragmenting purchases to avoid single transaction or monthly credit limits is unauthorized.

126. Vendors accepting purchase cards have a four-digit Merchant Category Code (MCC) used to classify the business by the type of goods or services provided. The SPOTS card has certain MCCs blocked to prevent purchases from inappropriate or high-risk vendors (e.g., casinos, money orders). Agencies must inform FBS when temporarily lifting MCC blocks to make legitimate purchases. FBS approval is not needed before sending requests to U.S. Bank. See **Appendix A** for the list of blocked MCCs.

127. The bank may decline transactions for various reasons including but not limited to fraud, blocked MCCs or a purchase that exceeds the established credit limits of a card. Agencies should use the declined transaction report available through Access Online to help monitor and train employees on SPOTS card use.

SPOTS Card Security

128. A SPOTS card must be secured at all times. The card, card number, and Personal Identification Number (PIN) must be safeguarded against use by anyone other than the cardholder/custodian or designated card user.
    a. Agencies must establish procedures to secure cards.
    b. Only fax a SPOTS account number, expiration date and three-digit security code if other purchase methods are not available. If a vendor's fax security is unknown, consider redacting the account information from the form and contacting the vendor by phone to complete the purchase. Secure fax receipts that contain account information.
    c. Do not email a SPOTS card account number, PIN, or three-digit security code.
    d. Before entering a SPOTS card account number on a Web page, ensure that the site uses encryption. Signs of encryption include a Web address with https ("s" stands for secure) and a closed padlock.

SPOTS Card Use

129. The SPOTS card is a credit card that agencies may use to procure and pay for goods and services for authorized state business. See **OAM 10.40.00**, *Expenditures*, for more information on authority related to expenditures.

130. SPOTS Card purchases must comply with **OAM 35.30.90**, *Accounts Receivable Management – Account Activity: Coordination of Vendor Payments*. The SPOTS card is an alternative payment method subject to an agency-defined threshold to recover debt owed to the state.

131. **Authorized Purchases**

   a. Examples include supplies, services, equipment rentals, software, training registrations, utility bills, non-travel business meals per **OAM 10.40.10**, *Non-travel Meals and Refreshments*, client services, and other agency-prescribed items.

   b. Agencies may use a SPOTS card for recurring charges. The agency must monitor the resulting charges. Account number information stored with a merchant is the responsibility of the agency.

   c. Agencies may use a SPOTS card for prepayment when necessary.

   d. Agencies may use a SPOTS card to purchase a stored value card. A stored value card refers to a monetary value on a card that allows the purchase of goods or services from a vendor. It is the responsibility of the agency to ensure and document the purchases made using a stored value card are for authorized state business.

   e. SPOTS cards may be used to pay travel expenses for official state business except for unauthorized purchases listed in paragraph 132. The expenses must comply with **OAM 40.10.00**, *Statewide Travel Policy*. All expenses must have the following documented with receipts: date, time, place, amount and business purpose. A reconciliation is required similar to the process for substantiating a travel advance. The IRS rules state that an Accountable Plan's Timeliness Safe Harbor for Substantiating Expenses is 60 days after the travel expense is paid or incurred to avoid having the costs added to the W-2 as taxable wages.

   f. Fuel for state-owned vehicles or fuel powered equipment that do not have a fleet card.

   g. Agencies may use a SPOTS card to purchase airline tickets from the travel management contractor except for the unauthorized purchases listed in paragraph 132.c. Agencies may use a SPOTS card to purchase airline tickets from another contractor if the TMC issues a written waiver prior to the purchase or if the airfare is for authorized non-state business.

132. **Unauthorized Purchases**

   a. Do not use the SPOTS card for personal purchases. Government Ethics for state employees (ORS 244.040) provides that no employee can gain personally from his/her employment.

   b. Do not use the SPOTS card for cash withdrawals, money orders, traveler's checks or other monetary instruments.

   c. Do not use the SPOTS card to purchase City Pair Airfares for official state business. City Pair tickets must be purchased through the TMC using the agency's CTS account.

d. Due to potential taxability requirements, do not use the SPOTS card for employee travel meals.

e. Due to potential taxability requirements, do not use the SPOTS card for employee moving expenses.

f. Do not make fuel purchases for state owned vehicles with a SPOTS card unless the vendor will not accept the fleet card. A SPOTS card does not provide fuel tax exemptions. If the SPOTS card is used, agencies must contact DAS Fleet for DAS owned vehicles and provide a copy of the detailed receipt. See DAS Fleet Policy: DAS Fleet and Parking Services Internal Operating Policies for DAS Owned, Rented or Assigned Vehicles.

g. Do not use the SPOTS card for personal vehicle fuel related to employee travel.

133. **Surcharge.** A payment card surcharge, also known as a checkout fee, is a fee that a merchant adds to the cost of a purchase when a customer uses a payment card. Beginning January 27, 2013, merchants may impose a surcharge on credit card purchases. SPOTS card users must be aware of the surcharge when making a purchase.

a. The surcharge fee is at the discretion of the merchant.

b. If merchants intend to impose a surcharge on credit card purchases, they are required to notify customers at the store entrance and at the point of sale before customers make an actual purchase. In an online environment, notice must appear on the first page that references credit card brands.

c. Merchants must disclose surcharge fees on every receipt; both in store and online.

d. A surcharge cannot exceed 4%.

134. Use caution when making online purchases. Research potential merchants to ensure they are reputable and that any terms and conditions are appropriate. Online purchases must be over a secure connection.

Agencies may use a SPOTS card with secured online payment services, such as PayPal. All SPOTS card policies apply. It is not permissible for employees to share the login and password of the secured online payment site. Procurement Services or the Department of Justice has not reviewed the terms and conditions for online payment services. Therefore, it is the agency's responsibility to assure the terms and conditions are acceptable.

135. The vendor should not charge the SPOTS card for back orders until the goods have shipped.

136. Disputes regarding charges, products or services must be resolved with the merchant or bank as appropriate.

137. Do not accept a cash refund for a returned purchase initially charged to a SPOTS card. After multiple unsuccessful attempts to credit the SPOTS card, a vendor may provide a cash, store credit or check refund.

Lost or Stolen

138. If a SPOTS card is lost or stolen, the cardholder, card custodian or designated card user must immediately call the bank at 1-800-344-5696. The bank will issue a new card with a new account number.

Fraud

139. If external fraud occurs on a SPOTS card, the cardholder or card custodian must immediately contact the bank at 1-800-344-5696. Follow the instructions provided by the bank to ensure credit for the fraudulent transaction(s). The bank will close the compromised account and issue a new card with a new account number. Report any fraudulent charges to the SPOTS Coordinator. Sometimes the bank suggests filing a police report. FBS does not recommend that agencies follow this suggestion.

Misuse

140. Misuse in the SPOTS program may be any action that is not in accordance with state and agency policy. It can differ in nature and degree of risk and seriousness. Each agency must develop and implement policy and procedures related to misuse. Clarify for program participants what actions they may be subject to if they violate program policy.

Examples of misuse include but are not limited to unauthorized use, personal expenses, prohibited purchases, failure to use existing state price agreements, split transactions, insufficient documentation, incomplete/inaccurate records, and consistently unmet reconciliation deadlines.

To help agencies distinguish between different levels of misuse, review the following inappropriate actions provided in **OAM 10.40.00**, *Expenditures* (paragraph 109):

a. A simple error is an unintentional action that was thought at the time to be proper but discovered later to be inappropriate. There is no penalty for a simple error as long as it is not part of a pattern of simple errors. Such a pattern may move the action to the negligence category.

b. Negligence is failure to act reasonably under existing circumstances. An employee may incur disciplinary action for expenditures that are negligent or contrary to state or agency policy.

c. Gross negligence is wanton or reckless disregard of one's duty of due care. The penalty for gross negligence may include personal financial responsibility and disciplinary action up to and including dismissal.

d. Fraud is intentional material misrepresentation or omission when there is a duty to disclose a loss or unlawful diversion of public funds. Theft is intentional diversion of state property to personal use. The penalties for fraud and theft may include personal liability; disciplinary action up to and including dismissal; and criminal sanctions.

The Approving Officer or delegate, in consultation with the agency's human resources office, if applicable, is responsible for taking appropriate action in response to SPOTS program misuse. Actions may include:

- Providing an explanation or clarification of the policy
- Repeating the SPOTS program training
- Suspending or terminating the SPOTS card. **The agency will immediately terminate SPOTS cards for gross negligence or fraud.**

- Notifying DAS Risk Management, the Secretary of State's Audits Division and the Department of Justice

If employee fraud occurs on a SPOTS card and discipline is not in accordance with the contract requirements, liability coverage by the bank is limited.

Transaction Documentation

141. All authorized purchases and credits require an itemized receipt to support the transaction and enable the proper recording of the transaction into the accounting records. Collection of original receipts is preferred and helps to reduce the likelihood of duplicate payments. Agencies may use a purchase card log as a method for organizing and reconciling SPOTS card transactions. (See Appendix B for an example of a purchase card log.) Follow the standard requirements set forth in this procedure and **OAM 10.15.00**, *Transaction Documentation Requirements*.

    a. Minimum information on the receipt includes the date of the purchase, the vendor's name, item description, and the amount. When the business purpose is not obvious from the item description, provide an explanation on the receipt or purchase card log.

    b. Receipt examples include but are not limited to a sales slip, cash register receipt, invoice, order form, email acknowledgment/invoice, detailed packing slip, online receipt, order confirmation, billing statement. In some circumstances, more than one item from the above list may be required to provide all the elements of a receipt.

    c. Receipts that do not itemize are inadequate documentation. If the receipt includes the total purchase amount only, attach a detailed packing slip, detailed invoice or alternative documentation.

    d. Develop an exception process for the infrequent case when a receipt is not available from the vendor. Alternate documentation must include the minimum information listed above.

Processing Monthly Statements

142. The bank issues account statements after the close of a billing cycle. The standard billing cycle ends on the 25th of each month. When the 25th falls on a weekend or holiday, the billing cycle will end on the following business day.

    a. Managing accounts receive a statement that serves as the invoice for all the associated cardholder/department card accounts. It lists the previous outstanding balance, payments, charges and credits.

    b. Cardholder/department card accounts receive a memo statement that lists the charges and credits. The cardholder/card custodian reconciles the activity, attaches the transaction documentation and signs the statement or purchase card log.

    c. The agency maintains the statement documentation according to the state's record retention requirements.

143. Agencies must pay their monthly SPOTS card managing account statement in full, timely and consistent with **OAM 10.40.00**, *Expenditures*. Pay the entire statement amount in full even if disputed charges or credits are pending in order to optimize rebate earnings and avoid late fees. Follow up if the next statement does not reflect the proper credit.

144. Twice a month or weekly payments are encouraged to provide additional rebate earnings for high volume card use. Agencies may use default coding to post all charges if detail coding is not available at the time of payment. Agencies that use default coding must record adjusting entries each month to the appropriate coding as needed.

145. Agencies that use R*STARS are encouraged to request and use a SPOTS Automated Clearing House (ACH) mail code for electronic payments. The ACH payment provides the bank with the managing account number and may increase rebate earnings. Agencies that process payments by warrant must include the full 16-digit managing account number on the description line so the bank can properly apply the payment.

146. Record SPOTS card purchases in the fiscal year in which the agency received the goods or services. Agencies must ensure that SPOTS card expenditures do not cause the agency to exceed available spending authority or cash.

Monitoring

147. Management within each agency will develop a method for monitoring the SPOTS card program throughout the year. The bank provides various electronic management reports in Access Online to monitor account activity. The Approving Officer may delegate the following tasks to appropriate staff:

a. Verify that all authorized users have signed the appropriate agreement and all agreements are on file.

b. Verify that authorized users and managers received appropriate training.

c. Monitor all transactions at least monthly. Review the vendor names and dollar amounts for reasonableness. Review documentation for questioned transactions and follow up if appropriate.

d. Review the accuracy and completeness of transaction documentation.

e. Verify timely payment of all SPOTS card invoices.

f. Investigate, document and perform appropriate follow-up on SPOTS card misuse.

g. Review card activity levels and adjust spending limits if needed.

h. Review usage for inactive or infrequently used accounts and close if appropriate.

i. Analyze the agency's overall SPOTS card transaction volume and the number of cards in use to determine if increased use would generate more savings. Notify the bank of major spending increases.

148. FBS will periodically review agencies' SPOTS card programs to ensure compliance with statewide guidelines. FBS will:

a. Monitor transactions for reasonableness.

b. Review and update Approving Officers and SPOTS Coordinators as authorized contacts with the bank.

c. Periodically review Access Online system user authorizations.

d. Twice per year, FBS will distribute a list of open and temporarily closed SPOTS cards for Approving Officer review.

1099 Reporting

149. Beginning January 1, 2011, the state is not required to provide a 1099-MISC to any vendor for SPOTS payments.

Incentive Share Rebates

150. The Master Agreement with the bank provides four incentive share components for SPOTS rebates. Volume sales and prompt payment incentives are the primary components. The rebate period runs from January 1 through December 31 with quarterly payments. Payments are net of any accumulated agency charge-offs. The bank transmits payment by the 60th day following the end of each quarter as long as the calculated rebate equals or exceeds $75.00. Refer to the Master Agreement for the formulas and contract definitions used for calculating each component.

151. Agencies can increase volume sales by analyzing the payments made with warrants or checks to determine if SPOTS cards could be used instead. Agencies with high dollar monthly purchases may significantly increase prompt pay rebates by scheduling weekly payments.

152. Agencies may treat the SPOTS rebate as a reduction of expense per **OAM 20.40.00**, *Reduction of Expense* (paragraph 107a), or as revenue. If federal funds are involved, agencies need to consider applicable requirements of the grant and Uniform Guidance. Depending on these requirements, an agency may need to reduce its federal draws by the prorated rebate amount or may need to return an equal amount to the federal agency.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT: Accounting and Financial Reporting	**Number:** 60.10.00
DIVISION: Chief Financial Office	**Effective date:** June 14, 2017
Chapter: Chart of Accounts	
Part: General Ledger Accounts	

The following pages list and define the general ledger accounts in R*STARS. Budgetary accounts and accounts that roll up to default GAAP account classes have not been included.

D31	General Ledger Account Title	Definition
0060	Undistributed Cash Receipt	Unidentified receipts deposited with State Treasury until they can be moved to an appropriate account.
0065	Unreconciled Deposit	Deposits recorded in R*STARS which have not yet been reconciled to State Treasury records through the interface.
0070	Cash on Deposit with Treasurer	Cash deposited with the State Treasury in a receipted account.
0072	Cash on Hand	Currency, coin, checks, warrants, money orders, and bank drafts on hand. Includes petty cash accounts, change funds, and receipts held prior to deposit.
0075	Cash on Deposit – Suspense Account at Treasury	Cash deposited with the State Treasury in a suspense, or unreceipted, account.
0077	Cash in Bank	Cash in depositories other than the State Treasury.
0080	Cash with Fiscal Agents – Restricted Current	Deposits with fiscal agents, such as commercial banks, normally for the payment of matured bonds and interest. This account should be used only when the agency is doing business directly with the fiscal agent and the cash being held is restricted.
0081	Cash With Fiscal Agents – Unrestricted	Deposits with fiscal agents, such as commercial banks, for the payment of obligations other than matured bonds and interest, or for the purchase of investments. This account should be used only when the agency is doing business directly with the fiscal agent and use of cash is not restricted.
0085	Cash Equivalent	Deposits that are the equivalent of cash and are appropriately reported as part of cash and cash equivalents in accordance with OAM policy 15.10.00.PO.
0230	Investments – OITP	Cost of investments made and held by the State Treasury in the Oregon Intermediate Term Pool.
0235	Investment Valuation Acct - OITP	An account used to reflect the difference between cost and fair value of Oregon Intermediate Term Pool investments.

0240	Investments – Designated	Investments made and held by the State Treasury from moneys deposited in agencies' designated fund accounts. This account is used to record the cost of the investments.
0245	Investment Valuation Account – Designated	An account used to reflect the difference between cost and fair value of designated investments.
0250	Investments – Other	Securities, certificates of deposit, and real estate for the production of income in the form of interest, dividends, rentals, or lease payments. This account is used to record the cost of the investments. These investments are held outside the State Treasury.
0255	Investment Valuation Account – Other	An account for recording the difference between cost and fair value for investments recorded in account 0250, Investments – Other.
0290	Investments – Restricted Current	Investments which are available for only limited purposes due to restrictions imposed externally or imposed by law. The investments are intended to liquidate or mature within one year.
0330	Securities Held in Trust	Securities of any type held in trust as performance deposits or for other reasons.
0335	Savings and TCD Held in Trust	Savings accounts or Time Certificates of Deposit that are held in trust as performance deposits or for other reasons.
0350	Securities Lending Collateral	Collateral held for securities on loan.
0410	Taxes Receivable – Current	The uncollected portion of taxes due that are expected to be collected within 90 days for modified accrual accounting and one year for full accrual accounting.
0411	Allowance for Uncollectible Taxes – Current	That portion of current taxes receivable that is estimated to be uncollectible.
0420	Taxes Receivable – Noncurrent	The uncollected portion of taxes due that are expected to take longer to collect than 90 days for modified accrual accounting and one year for full accrual accounting.
0501	Accounts Receivable Other – Billed	Amounts due to the reporting entity, primarily resulting from sales of goods or services, and posted to the Document Financial table in R*STARS. Includes all receivables not falling in another receivable classification. Does not include amounts due from other funds or other state agencies resulting from transfer of moneys.
0502	Allowance for Uncollectible Accounts – Current	That portion of current accounts receivable that is estimated to be uncollectible.
0503	Accounts Receivable Other – Unbilled	Amounts due to the reporting entity, primarily resulting from sales of goods or services, and that are not posted to the Document Financial table in R*STARS. Includes all receivables not falling in another receivable classification. Does not include amounts due from other funds or other state agencies resulting from transfer of moneys.

0504	Accounts Receivable – Suspense Accounts	Amounts due to the reporting entity and associated with transactions of a Treasury suspense account (i.e., not subject to appropriation control).
0507	Payroll Accounts Receivable	Amounts due to the reporting entity related to payroll.
0510	Targeted Case Management Expense Recoupment	This account is used for transactions within DHS that are specific to Medicaid billings.
0535	Advances Non-Document Supported	Cash advanced by a state agency that will remain a receivable until the cash has been returned or otherwise accounted for. Does not include advances or loans to another state agency or fund.
0542	Accounts Receivable Federal – Unbilled	Amounts due to the reporting government from the federal government. These amounts may represent grants-in-aid, shared taxes, loans, charges for services rendered, or reimbursement of expenditures. Use this account for balances not posted to the Document Financial table.
0543	Accounts Receivable Federal – Billed	Amounts due to the reporting government from the federal government. These amounts may represent grants, shared taxes, loans, charges for services rendered, or reimbursement of expenditures. The accrual should be made at the time the service or supplies spent by the agency are reimbursable by the federal government. Use this account for balances posted to the Document Financial table.
0547	Due from Other Governments	Amounts due from other governmental units, excluding the federal government or other state agencies.
0572	Notes Receivable – Current	The portion due within one year of an unconditional written promise, signed by the maker, to pay a certain sum.
0573	Unreimbursed Advances	Travel advances that have not yet been expensed or reimbursed.
0574	Interest Receivable Other – Billed	The amount of interest receivable on loans, delinquent taxes, etc. that has been billed. This account excludes interest receivable on designated investments.
0575	Interest Receivable Other – Unbilled	The amount of interest receivable on loans, delinquent taxes, etc. that has not been billed. This account excludes interest receivable on designated investments.
0576	Interest Receivable – Designated Investment	The amount of interest receivable on designated fund investments held by the State Treasurer.
0580	Accrued Interest Purchased	Interest receivable on an investment that is paid for as a part of the investment purchase.
0586	Due from Other Funds/Agencies	An asset account used to indicate amounts due from another fund or state agency. The offsetting account in the other fund or agency is account 1532, Due to Other Funds/Agencies.
0587	Due from Component Unit	An amount due from an agency defined as a discretely presented component unit of the State (e.g., OHSU or SAIF Corporation).

0600	Inventories – Materials and Supplies	The cost of supplies on hand for use in agency operations. The offsetting nonspendable fund balance account in governmental funds is account 3031, Nonspendable Fund Balance-Inventory.
0601	Inventories – Stores for Resale	The cost of goods held for resale. If the proceeds from the sales are not restricted, committed, or assigned to a specific purpose, the balance is offset by account 3031, Nonspendable Fund Balance-Inventory, in governmental funds.
0602	Prepaid Expenses	Recurring expenses entered in the accounts for benefits not yet received. Examples are postage on hand and unexpired insurance premiums. The offsetting fund balance account in governmental funds is account 3032, Nonspendable Fund Balance-Prepaid Items.
0811	Works of Art and Historical Treasures – No Depreciation	Art or historical artifacts that are inexhaustible; that is, their economic benefit or service potential is used up so slowly that their estimated useful lives are extraordinarily long.
0812	Works of Art and Historical Treasures – Depreciable	Works of art and historical artifacts that are exhaustible, such as exhibits whose useful lives are diminished by display, education or research uses.
0815	Equipment and Machinery	Tangible property of a permanent nature (other than land, buildings and improvements to land and buildings) used in agency operations. Examples include machinery, tools, and equipment. Does not include data processing hardware.
0816	Motor Vehicles	Cars, trucks, vans or other motorized vehicles used in agency operations.
0817	Data Processing Software	Computer software programs developed or purchased for internal use.
0818	Data Processing Hardware	Computers and peripheral equipment such as modems and servers.
0820	Other Intangible Assets (Amortizable)	The cost of intangible assets (other than land use rights) that have limited lives, such as a patent.
0839	Other Intangible Assets (Not Amortized)	The cost of intangible assets (other than land use rights) with indefinite lives, such as a trademark.
0840	State Highways	All state highways maintained by an agency including interstate highways, principle arterials, minor arterials, major collectors, and minor collectors.
0841	Other Roads	Any graveled or paved section of land maintained by an agency and used by motorized vehicles, not associated with state highways.
0842	Tunnels and Bridges	Infrastructure including tunnels, bridges, trestles, and other similar items needed for the construction of roadway systems.

0843	Airports	Any airport maintained by an agency. Includes elements such as air traffic control structures, hangers, taxiways, runways, fueling stations, lighting, outbuildings, and helicopter landing pads.
0844	Utility Systems	Systems designed to deliver facility services including sanitary sewer collection systems (not septic systems), fiber optic systems, water distribution systems, electrical distribution systems, and vehicle fuel distribution systems. These are distinguished from land improvements in that they are not an integral part of the operation of a single building.
0845	Docks, Dikes, and Dams	Infrastructure including docks, piers, dikes, levies, seawalls, dams and structures associated with dams, wharves, and other similar assets.
0848	Land Use Rights (Not Amortized)	The carrying value of land use rights that have indefinite lives, for example, a permanent easement.
0849	Land Use Rights (Amortized)	The cost of land use rights acquired by contract or other legal agreement. Examples include non-permanent easements, water, mineral, and timber rights. The useful life of these assets is limited to the term of the underlying contract.
0850	Land	The carrying value of land owned by the State, including easements, rights of way, and non-depreciable land improvements.
0852	Buildings and Building Improvements	Permanent structures and improvements thereto normally used to house people or property.
0856	Land Improvements	Permanent improvements, other than buildings, that add value to land. Examples include fences, gates, retaining walls, pedestrian bridges, sidewalks, paved paths, parking lots, lighting, irrigation systems, septic systems, swimming pools, fountains, signage, kiosks, and landscaping.
0860	Construction in Progress – Highway System	An account, specific for the highway system, for the temporary capitalization of labor, materials, and overhead costs of a construction or capital improvement project undertaken but not yet completed.
0861	Construction in Progress	An account for the temporary capitalization of labor, materials, and overhead costs of a construction or capital improvement project undertaken but not yet completed.
0862	Leasehold Improvements	Permanent additions or improvements made to leased assets that revert to the property owner upon termination of lease.
0863	Capital Leased Property	A lease of real or personal property that meets the criteria for capitalizing an asset and recording a liability for the obligation.
0865	Accumulated Amortization – Land Use Rights	The accumulation of systematic and rational allocations of the estimated cost of using land use rights, on a historical cost basis, over the useful life of the land use rights.
0866	Accumulated Amortization – Other Intangible Assets	The accumulation of systematic and rational allocations of the estimated cost of using other intangible assets, on a historical cost basis, over the useful life of the other intangible assets.

0867	Accumulated Depreciation – Land Improvements	The accumulation of systematic and rational allocations of the estimated cost of using land improvements, on a historical cost basis, over the useful life of the land improvements.
0868	Accumulated Amortization – Data Processing Software	The accumulation of systematic and rational allocations of the estimated cost of using data processing software, on a historical cost basis, over the useful life of the software.
0869	Accumulated Depreciation – Equipment and Machinery	The accumulation of systematic and rational allocations of the estimated cost of using equipment and machinery, on a historical cost basis, over the useful life of the assets.
0870	Accumulated Amortization – Leasehold Improvements	The accumulation of systematic and rational allocations of the estimated cost of using leasehold improvements, on a historical cost basis, over the useful life of the leasehold improvements.
0871	Accumulated Amortization – Capital Leased Property	The accumulation of systematic and rational allocations of the estimated cost of using capital leased property, on a historical cost basis, over the useful life of the property.
0872	Accumulated Depreciation – Motor Vehicles	The accumulation of systematic and rational allocations of the estimated cost of using vehicles, on a historical cost basis, over their useful lives.
0873	Accumulated Depreciation – Data Processing Hardware	The accumulation of systematic and rational allocations of the estimated cost of using data processing hardware, on a historical cost basis, over its useful life.
0875	Accumulated Depreciation – Buildings and Building Improvements	The accumulation of systematic and rational allocations of the estimated cost of using buildings and improvements, on a historical cost basis, over the useful lives of the buildings.
0876	Accumulated Depreciation – Art and Historical Treasures	The accumulation of systematic and rational allocations of the estimated cost of using art and historical treasures, on a historical cost basis, over their useful lives.
0880	Accumulated Depreciation – State Highways	The accumulation of systematic and rational allocations of the estimated cost of using state highways over their useful lives.
0881	Accumulated Depreciation – Tunnels and Bridges	The accumulation of systematic and rational allocations of the estimated cost of using tunnels and bridges over the useful lives of the assets.
0882	Accumulated Depreciation – Airports	The accumulation of systematic and rational allocations of the estimated cost of using airports over the useful lives of the assets.
0883	Accumulated Depreciation – Utility Systems	The accumulation of systematic and rational allocations of the estimated cost of using utility systems over the useful lives of the assets.
0884	Accumulated Depreciation – Docks, Dikes and Dams	The accumulation of systematic and rational allocations of the estimated cost of using docks, dikes, and dams over the useful lives of the assets.
0885	Accumulated Depreciation – Other Roads	The accumulation of systematic and rational allocations of the estimated cost of using other roads over the useful lives of the assets.

0927	State Owned Property Held for Sale	Foreclosed and deeded property held for resale.
0928	Cash/Cash Equiv-Restricted Noncurrent	Cash or cash equivalents which are not available to pay current liabilities due to restrictions imposed externally or imposed by law.
0929	Investments – Noncurrent	Investments without a readily available market, for example, private equity securities.
0930	Notes Receivable – Noncurrent	The portion not due within a year of an unconditional written promise, signed by the maker, to pay a certain sum.
0931	Loans Receivable	Amounts that have been loaned to individuals or organizations external to the state.
0932	Contracts Receivable	Long-term obligations due to the state and secured by a written contract.
0933	Mortgage Receivable	Long-term obligations due to the state and secured by real estate.
0934	Allowance for Uncollectible Accounts – Noncurrent	The portion of noncurrent contracts, mortgages, and notes receivable estimated to be uncollectible.
0935	Other Receivables – Noncurrent	Long-term receivables that are not expected to be collected within 90 days of the end of the fiscal year for governmental funds or within one year for proprietary type funds.
0936	Allowance for Uncollectible Accounts – Noncurrent Loans Receivable	The portion of loans receivable estimated to be uncollectible.
0937	Allowance for Uncollectible Taxes Receivable – Noncurrent	The portion of noncurrent taxes receivable estimated to be uncollectible.
0940	Investments – Restricted	Investments restricted externally or by law.
0945	Conservatorship and Custodial Assets	Assets held by agencies in a conservatorship or custodial capacity. This should be recorded only in fiduciary funds.
0950	Advances to Other Funds/Agencies	Loans made to other state agencies or funds.
0951	Advances to Component Units	Loans made by state agencies to the state’s component units.
0967	Net Pension Asset	Advance pension contributions through bond proceeds from sale of pension obligation bonds.
0990	Receivership Assets	The net assets of insurance companies which have been placed into receivership under control of the Department of Consumer and Business Services in accordance with statute.
0998	Derivative Instrument--Asset	Used to record the fair value of a hedging derivative instrument when the fair value is positive.
0999	Deferred Outflows—Hedging Derivatives	The amounts recorded in this account represent the deferral of the corresponding liability account, G/L 1295 Derivative Instruments – Liability.

1000	Deferred Outflows – Loss on Debt Refunding	The excess of the reacquisition price for the new debt over the net carrying amount of the defeased (old) debt, amortized over the life of either the new or the old debt, whichever is shorter.
1001	Deferred Outflows – Difference in Economic Experience	This account relates to the State's pension plan as required by GASB Statement No. 68. The amount is determined by the plan and is updated annually. Only amounts provided by SARS should be recorded in this account.
1002	Deferred Outflows – Difference Between Projected and Actual Investments	This account relates to the State's pension plan as required by GASB Statement No. 68. The amount is determined by the plan and is updated annually. Only amounts provided by SARS should be recorded in this account.
1003	Deferred Outflows – Change in Assumptions	This account relates to the State's pension plan as required by GASB Statement No. 68. The amount is determined by the plan and is updated annually. Only amounts provided by SARS should be recorded in this account.
1004	Deferred Outflows – Change in Employee Contribution and Proportion	This account relates to the State's pension plan as required by GASB Statement No. 68. The amount is determined by the plan and is updated annually. Only amounts provided by SARS should be recorded in this account.
1005	Deferred Outflows – Contributions After the Measurement Date	This account relates to the State's pension plan as required by GASB Statement No. 68. The amount is determined by the plan and is updated annually. Only amounts provided by SARS should be recorded in this account.
1211	Vouchers Payable	Liabilities for goods and services evidenced by approved vouchers.
1215	Accounts Payable	Short-term liabilities for goods and services received.
1216	Payroll Payable	Short-term liabilities for salaries and other payroll expenses.
1217	Mass Transit Payable	Short-term liability for mass transit taxes payable. This account is only used by the Department of Administrative Services.
1225	Accrued Interest on Bonds Sold	Liability for interest accruing on bonds between the issue date and the date of sale.
1230	Interest Payable – Current	Interest incurred but not yet due.
1235	Accrued Interest on COPS Sold	Liability for interest accruing on COPS between the issue date and the date of sale.
1276	Bonds Payable – Current	The face value of bonds due within one year.
1279	COP Payable – Current	The face value of certificates of participation due within one year.
1280	Lease-Purchase Contracts Payable – Current	The current portion of the liability for (1) a lease that transfers ownership at the end of the lease or contains a bargain

		purchase option and (2) other installment purchase contracts, including software licensing agreements.
1281	Obligations Under Capital Lease – Current	The current portion of the discounted present value of total future payments on lease agreements that are capitalized.
1290	Accrued Taxes Payable	Social Security taxes withheld from checks to housekeepers and others. Used only by the Department of Human Services.
1318	Backup Withholding Taxes Escrowed	Used only by agency 999 for backup withholding transactions.
1367	Deferred Compensation Payable	Used only by PERS for deferred compensation liabilities.
1512	Due to Other Governments	Amounts owed to other governmental units, such as cities and counties or the federal government.
1532	Due to Other Funds/Agencies	Amounts due to other state agencies or to other funds within the same agency.
1533	Due to Component Units	Amounts due to discretely presented component units, such as OHSU and SAIF.
1535	Matured Bonds/COPS and Coupons Payable	Bond and COP principal that has matured but has not been redeemed by the holder.
1540	Tax Anticipation Notes Payable	The face value of tax anticipation notes payable.
1545	Premium on Tax Anticipation Notes	The excess of cash received over par received from the sale of Tax Anticipation Notes. Will be amortized in full at the time of payment of the notes.
1550	Deposit Liability – Document Supported	Amounts held as customer deposits that are supported in the Document Financial table.
1551	Deposit Liability – Non-Document Supported	Amounts held as customer deposits that are not supported in the Document Financial table.
1575	Trust Funds Payable – Current	The current portion of a liability for amounts held in trust for individuals or businesses.
1576	Controlled Deposit Liability	Liability for amounts held in trust.
1577	Trust Funds Payable – Noncurrent	The portion of a liability for amounts held in trust for individuals or businesses that is due in one year or more.
1578	Reserve for Securities in Trust	Liability account that offsets assets held in trust.
1600	Obligations Under Securities Lending	The liability that offsets cash held as collateral for securities lending.
1603	Unearned Revenue – Non Document Supported	Revenue that has been received but has not yet been recognized because it has not been earned – without document support.

1604	Unearned Revenue – Document Supported	Revenue that has been received but has not yet been recognized because it has not been earned – with document support.
1605	Vacation Payable – Current	The portion of the liability for compensated absences expected to be liquidated within one year.
1617	Claims and Judgments Payable – Current	The current portion of the liability due for insurance claims or judgments against an agency.
1619	Arbitrage Rebate Payable – Current	Amounts due within one year to the IRS for interest earned on unspent bond or COP proceeds that exceed legally allowable returns.
1621	Mortgage Payable – Current	Amounts due within one year that are secured by real property.
1622	Contracts Payable – Retainage – Current	The current portion of amounts due for contracted services, which are being withheld until the services are complete and accepted.
1625	Legal Reserves – Current	Amounts due within one year that are reserved by the Department of Administrative Services for the legal costs associated with Risk Management claims that have been reported.
1626	Reported Claims – Risk Management – Current	Amounts due within one year that are reserved by the Department of Administrative Services for claims that have been reported.
1635	Loans Payable – Current	Amounts due within one year for loans received from entities other than state agencies or funds (which are reported as advances).
1640	Notes Payable – Current	Face value of notes due within one year.
1645	Lottery Prize Awards Payable – Current	Liabilities of the Oregon State Lottery due within one year for prizes.
1650	Pension-Related Debt – Current	The current portion of a separately financed specific liability payable to the state pension plan that is the result of the State's unfunded actuarial liability that existed at the time of the formation of the State and Local Government Rate Pool (SLGRP), of which the State is a participant. Payments on this liability occur as part of the monthly pension contribution. Only amounts provided by SARS should be recorded in this account.
1680	Pollution Remediation Obligation – Current	The amount of the Pollution Remediation Obligation expected to be liquidated within one year.
1702	Discount on COPS Sold	The excess of par over the cash received from the sale of COPS that remains to be written off periodically (amortized) over the life of the COPS.
1703	Premium on COPS Sold	The excess of cash received from the sale of COPS over par that remains to be written off periodically (amortized) over the life of the COPS.

1704	COPS Payable – Noncurrent	The face value of certificates of participation due in over one year.
1709	Accreted Interest Payable	The liability for interest on certain debt investments whose face value reflects both principal and interest. Accreted interest accrues over the life of a long-term debt issuance but is not paid until the debt instruments mature.
1712	Discount on Bonds Sold	The excess of par value of bonds over the cash received from their sale that remains to be amortized over the life of the bonds.
1713	Premium on Bonds Sold	The excess of cash received over the par value of bonds. This account is amortized over the life of the bonds.
1714	Bonds Payable – Noncurrent	The face value of bonds that are due in over one year.
1715	Lease-Purchase Contracts Payable – Noncurrent	The noncurrent portion of the liability for (1) a lease that transfers ownership at the end of the lease or contains a bargain purchase option and (2) other installment purchase contracts, including software licensing agreements.
1716	Obligations Under Capital Lease – Noncurrent	The noncurrent portion of the discounted present value of total future payments on lease agreements that are capitalized.
1717	Claims and Judgments Payable – Noncurrent	The long-term liability for insurance claims or judgments against an agency.
1718	Vacation Payable – Noncurrent	The noncurrent portion of the liability for compensated absences.
1719	Arbitrage Rebate Payable - Noncurrent	Amounts due to the IRS for interest earned on unspent bond or COP proceeds that exceeds legally allowable returns.
1720	Accounts Payable – Noncurrent	Liabilities for services and supplies that will not be paid with current assets.
1721	Mortgage Payable – Noncurrent	Liabilities that are secured by real property.
1722	Contracts Payable – Retainage	Amounts payable for contracted services, which are being withheld until the services are complete and accepted.
1725	Legal Reserves – Noncurrent	Amounts reserved by the Department of Administrative Services for the legal costs associated with Risk Management claims that have been reported.
1726	Reported Claims – Risk Management – Noncurrent	Amounts reserved by the Department of Administrative Services for claims that have been reported.
1727	Legal IBNR	Amounts reserved by the Department of Administrative Services for legal costs associated with Risk Management claims that have been incurred but not reported.
1730	Original/Acquisition Loan Fees - Noncurrent	Nonrefundable fees and costs associated with lending, committing to lend, or purchasing a loan or group of loans. Direct loan origination fees and costs are deferred and recognized over the life of the loan as an adjustment to the yield on the loan.

1735	Loans Payable – Noncurrent	Amounts due for loans received from entities other than state agencies or funds (which are reported as advances).
1740	IBNR Reserves – Risk Management	Amounts reserved by the Department of Administrative Services for incurred but not reported claims.
1745	Lottery Prize Awards Payable – Noncurrent	Liabilities of the Oregon State Lottery for prizes.
1750	Notes Payable – Noncurrent	The face value of notes due in over one year.
1755	Pension-Related Debt – Noncurrent	The noncurrent portion of a separately financed specific liability payable to the state pension plan that is the result of the State's unfunded actuarial liability that existed at the time of the formation of the State and Local Government Rate Pool (SLGRP), of which the State is a participant. Payments on this liability occur as part of the monthly pension contribution. Only amounts provided by SARS should be recorded in this account.
1760	Net Pension Liability (Asset)	This account relates to the State's pension plan as required by GASB Statement No. 68. The amount is determined by the plan and is updated annually. Only amounts provided by SARS should be recorded in this account.
1770	Net OPEB Obligation	The cumulative difference between the annual OPEB cost and the employer's contribution to the plan.
1780	Pollution Remediation Obligation – Noncurrent	The noncurrent portion of the estimated liability for pollution remediation activities.
1785	Derivative Instrument-Liability	Used to record the fair value of a hedging derivative instrument when the fair value is negative.
1800	Advances from Other Funds/Agencies	Loans received from other state agencies or funds.
1805	Advances from Component Units	Loans received by state agencies from the state's component units.
1850	Deferred Inflows – Hedging Derivatives	The amounts recorded in this account represent the deferral of the corresponding asset account, GL 0851 Derivative Instruments - Asset
1851	Deferred Inflows – Gain on Debt Refunding	The excess of the net carrying amount of the defeased (old) debt over the reacquisition price for the new debt, amortized over the life of either the new or the old debt, whichever is shorter.
1852	Deferred Inflows – Loan Origination	Points received by a lender in relation to a loan origination, amortized to revenue over the duration of the related loan. All other loan origination fees should be recognized as revenue in the period received.
1853	Deferred Inflows – Difference in Economic Experience	This account relates to the State's pension plan as required by GASB Statement No. 68. The amount is determined by the plan and is updated annually. Only amounts provided by SARS should be recorded in this account.

1854	Deferred Inflows – Difference Between Projected and Actual Investments	This account relates to the State's pension plan as required by GASB Statement No. 68. The amount is determined by the plan and is updated annually. Only amounts provided by SARS should be recorded in this account.
1855	Deferred Inflows – Change in Assumptions	This account relates to the State's pension plan as required by GASB Statement No. 68. The amount is determined by the plan and is updated annually. Only amounts provided by SARS should be recorded in this account.
1856	Deferred Inflows – Change in Employee Contribution and Proportion	This account relates to the State's pension plan as required by GASB Statement No. 68. The amount is determined by the plan and is updated annually. Only amounts provided by SARS should be recorded in this account.
2734	Encumbrance Control – Non Document Supported	An account used to make adjustments to encumbrances for financial reporting purposes, when encumbrances should not be reported in the financial statements, but cannot be removed from the document supported file due to timing.
2735	Encumbrance Control – Document Supported	A control account supporting the detail of encumbrances, offset by reserved for encumbrances.
2951	System Clearing General Ledger Level Only	A clearing account used with some transaction codes that should always have equal debits and credits (zero balance).
3004	Net Position Held in Trust for Other Postemployment Benefits (OPEB)	The excess of assets over liabilities in Pension and Other Employee Benefit Trust Funds that are held in trust for other postemployment benefits (OPEB).
3008	Net Position Held in Trust for Pension Benefits	The excess of assets over liabilities in the Pension Trust Fund that are held in trust for pension benefits.
3011	Fund Balance Reserved for Encumbrances	In governmental funds, a segregation of fund balance to indicate commitments for planned expenditures.
3012	Fund Balance Reserved for Pre-Encumbrance	In governmental funds, a segregation of fund balance to indicate future planned expenditures not yet committed.
3018	Net Investment in Capital Assets	The component of net position consisting of total capital assets minus accumulated depreciation.
3023	Net Position Held in Trust	The excess of assets over liabilities in fiduciary funds.
3025	Net Position	The excess of assets over liabilities in proprietary type funds.
3026	Net Position – State Only	In internal service funds, the excess of assets over liabilities that is not available to the federal government, by prior agreement.
3031	Nonspendable Fund Balance-Inventory	In governmental funds, a segregation of fund balance to indicate that inventories reported in account 0600, Inventories-Materials and Supplies, are not available for expenditure. This account also applies to inventories reported in account 0601, Inventories-Stores for Resale, if the proceeds from sales are not restricted, committed, or assigned to a specific purpose.

3032	Nonspendable Fund Balance-Prepaids	In governmental funds, a segregation of fund balance for prepaid items, indicating that such amounts are not available for expenditure.
3033	Nonspendable Fund Balance-Permanent Fund Principal	In permanent funds, a segregation of fund balance equal to the amount of permanent fund assets that, by the terms of the arrangement, cannot be spent
3034	Nonspendable Fund Balance-Long-term Loans Receivable	In the GAAP General Fund only, a segregation of fund balance equal to the balance in GL accounts 0931, Loans Receivable, and 0936, Allowance for Uncollectible Accounts-Noncurrent Loans Receivable, to indicate that this amount is not available for expenditure. Applicable only if proceeds from collections on the loans receivable are not restricted, committed or assigned to a specific purpose
3035	Nonspendable Fund Balance-Advance To Other Fund	In the GAAP General Fund only, a segregation of fund balance to indicate that advances to other funds are not available for expenditure. Applicable only if the proceeds from collection on the advance are not restricted, committed or assigned to a specific purpose.
3036	Nonspendable Fund Balance-Revolving Accounts	In governmental funds, a segregation of fund balance for petty cash and revolving cash accounts usually established by law on a permanent basis.
3037	Nonspendable Fund Balance-Other Noncurrent Receivables	In governmental funds, a segregation of fund balance for long-term receivables, indicating that such amounts are not available for expenditure.
3041	Restricted Fund Balance-Federal	In governmental funds, a fund balance classification that indicates fund resources are constrained by federal grants, federal laws, or federal regulations to be used for a specific purpose. Such resources are not available for other expenditures.
3042	Restricted Fund Balance-Oregon Constitution	In governmental funds, a fund balance classification that indicates fund resources are constrained by the Oregon Constitution to be used for a specific purpose. Such resources are not available for other expenditures.
3043	Restricted Fund Balance-Enabling Legislation	In governmental funds, a fund balance classification that indicates fund resources are constrained by legislation that (1) authorizes the state to levy, assess, or otherwise raise the revenue and (2) limits use of the resources to a specific purpose. Such resources are not available for other expenditures.
3044	Restricted Fund Balance-Debt Covenants	In governmental funds, a fund balance classification that indicates fund resources are constrained by debt covenants to be used for a specific purpose (generally, to make future payments on debt or for capital projects). Such resources are not available for other expenditures.
3045	Restricted Fund Balance-Donor/Other External Party	In governmental funds, a fund balance classification that indicates fund resources are constrained by donors or other external parties to be used for a specific purpose. Such resources are not available for other expenditures.

3051	Committed Fund Balance	In governmental funds, a fund balance classification that indicates fund resources are constrained by legislation to be used for a specific purpose. Such resources may not be redeployed for other purposes without legislation action.
3052	Assigned Fund Balance	In governmental funds, a fund balance classification that indicates resources are constrained by intent to be used for a specific purpose. Assigned fund balance is the residual fund balance classification in governmental funds other than the GAAP general fund.
3053	Unassigned Fund Balance	The residual fund balance classification in the GAAP general fund that represents available expendable financial resources.
3060	Prior Period Adjustment	An equity account that allows posting of corrections to previous reporting periods.
3062	Prior Year Post Closing Adjustment	An equity account used when posting corrections (such as audit adjustments) to closed prior periods, where the correct amount has already been reported in the CAFR.
3064	Accounting Change	An account used to report the equity effect of a change in accounting principle.
3074	Change in Capital Assets	Equity account used to offset change in net position when capital assets are purchased or otherwise changed.
3075	Change in Reserves/Nonspendable Fund Balance	Equity account used to offset the change in nonspendable accounts as they are increased or decreased.
3100	Revenue Control – Cash	General ledger control account for cash revenue.
3101	Revenue Control – Accrued	General ledger control account for accrued revenue.
3102	Revenue Control – Suspense	General ledger control account for revenue deposited to suspense accounts.
3105	Revenue Control – Financial Statement Accrual	General ledger control account for financial statement accruals of revenue (usually automatically reversed).
3150	Operating Transfers In Control	General ledger control account for transfers from other funds.
3152	Operating Transfers In Control – Suspense	General ledger control account for transfers into a suspense account.
3200	GAAP Revenue Offset	General ledger control account for revenue entries that are reflected differently for reporting under generally accepted accounting principles than for budgetary reporting.
3350	GAAP Transfers In Offset	General ledger control account used to record prior period adjustments or post closing adjustments involving transfers-in.
3500	Expenditure Control – Cash	General ledger control account for cash expenditures.

3501	Expenditure Control – Accrued	General ledger control account for accrued expenditures.
3502	Expenditure Control – Suspense	General ledger control account for expenditures made from a suspense account.
3503	Reduction of Expenditures - Accrued	General ledger control account for accrued reduction of expenditures.
3505	Expenditure Control – Financial Statement Accrual	General ledger control account for financial statement accruals of expenditures (generally automatically reversed).
3550	Operating Transfers Out Control	General ledger control account for transfers to other funds.
3552	Operating Transfers Out Control – Suspense	General ledger control account for transfers out of a suspense account.
3600	GAAP Expenditure Offset	General ledger control account for expenditure entries that are reflected differently for reporting under generally accepted accounting principles than for budgetary reporting.
3750	GAAP Transfers Out Offset	General ledger control account used to record prior period adjustments or post closing adjustments involving transfers-out.

DAS DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT:	Accounting and Financial Reporting	**Number:**	60.20.00
DIVISION:	Chief Financial Office	**Revision date:**	June 14, 2017
Chapter:	Chart of Accounts		
Part:	Comptroller Objects (Nominal Accounts) – By Financial Statement Classification		

CAFR Title and Definition

D10 No.	Comptroller Object Title

Personal Income Taxes – Taxes on individuals based on income.

0111 Personal Income Taxes

Corporate Income Taxes – Taxes on corporations based on income.

0115 Corporate Excise and Income Taxes

Tobacco Taxes – Sales taxes on tobacco products.

0121 Cigarette Taxes

0130 Other Tobacco Product Taxes

Healthcare Provider Taxes – Taxes on hospitals and other healthcare providers.

0129 Healthcare Provider Taxes

Inheritance Taxes – Taxes on the value of a deceased person's assets.

0160 Inheritance Taxes

Public Utilities Taxes – Taxes on public utilities to regulate tax rates charged to customers.

0142 Public Utilities Taxes

Insurance Premium Taxes – Taxes on out-of-state insurers as a cost to do business in Oregon.

0143 Insurance Premium Taxes

Motor Fuels Taxes – Sales taxes on gasoline and diesel fuel; constitutionally dedicated to transportation purposes.

0122 Motor Fuels Taxes

Weight-Mile Taxes – Use taxes imposed on trucks; constitutionally dedicated to transportation purposes.

0123 Weight-Mile Taxes

Vehicle Registration Taxes – Taxes charged for the use of vehicles on the State's roads; constitutionally dedicated for transportation purposes.

0126 Vehicle Registration Taxes

Employer – Employee Taxes – Payroll taxes on employers and employees.

0153 Other Employer – Employee Taxes

Workers' Compensation Insurance Taxes – Taxes collected from insurers based on workers' compensation premiums earned in Oregon.

0152 Workers' Compensation Insurance Taxes

Other Taxes – Selective taxes on sales, use, receipts and transfers of assets.

0124	Alcoholic Beverage Taxes
0125	Other Selective Taxes
0131	Marijuana Product Taxes
0141	Amusement Taxes
0144	Other Gross Receipts Business Taxes
0171	Eastern Oregon Severance Taxes
0172	Western Oregon Severance Taxes
0173	Other Severance Taxes
0181	Forest Protection Taxes
0182	Other Taxes

Assessments – Taxes used for the payment of unemployment benefits to individuals.

0151	Employment Taxes

Licenses and Fees – Revenue from businesses and individuals for the privilege of doing business or in return for other benefits.

0210	Corporation Fees
0211	Fire Marshal Fees
0212	Other Business Licenses and Fees
0220	Park User Fees
0222	Drivers Licenses
0223	Transportation Licenses and Fees
0224	Hunter and Angler Licenses
0225	Commercial Fishing Licenses and Fees
0226	Power and Water Fees
0227	State Court Fees
0228	Other Nonbusiness Licenses and Fees
0229	Indigent Defense Recovery

Federal – All revenues and cost reimbursements received directly from the federal government.

0300	Federal Revenue
0355	Federal Revenue as Other Funds (not required to be used)
0360	Federal Revenue Service Contracts
0365	Build America Bonds Federal Credit

Charges for Services – All revenues received from individuals, businesses, other funds, and other governments in return for services performed.

0401	Administrative and Service Charges
0402	Education of Children in State Schools
0403	Care of State Wards
0404	Support Collections
0405	Central Service Charges
0406	Indirect Cost Reimbursements
0407	Other Charges for Services
0408	Merchant Card Convenience & Service Fees
0410	Insurance Premiums

Fines and Forfeitures – Revenues from fines, penalties, and confiscated deposits imposed for the commission of statutory offenses, violation of lawful administrative rules, or neglect of official duty.

0500	Fines, Forfeitures, and Penalties

Rebates and Recoveries – Rebates and Recoveries is intended to report rebates that cannot be reported as a reduction of a related expenditure and refunds/recoveries of prior year expenses/expenditures.

0560	Rebates and Recoveries

Rents and Royalties – Resources derived from the use by others of the State's tangible and intangible assets.

0600	Rents and Royalties

Sales – Revenue derived from the sale of merchandise, publications, supplies, and other items.

0701	Liquor Sales
0702	Pari-Mutuel Receipts
0703	State Forest Lands
0704	Common School Lands
0708	Other Sales Income

Donations and Grants – Resources donated to the State from external parties, excluding federal grants.

0709	Donations
0716	Grants – Non Federal

Unclaimed Property Revenue – Unclaimed warrants, checks, safe deposit contents, and other abandoned property that the State holds while looking for the rightful owner. Also includes escheat property that reverts to the Common School Fund on an individual´s death because no heir or will exists or can be found.

0720	Unclaimed Property Revenue

Tobacco Settlement Proceeds – Proceeds from tobacco industry lawsuit.

0725	Tobacco Settlement Proceeds

Foreclosure Settlement Proceeds – Proceeds from foreclosure lawsuits to take property to satisfy a debt. The bank or lender may take actual ownership of the property or have the property sold to pay off the debt.

0726	Foreclosure Settlement Proceeds

Veterans' Income – Benefits or other income of Veterans for whom the State is financial guardian.

0730	Veterans' Income

Income of Individuals in State Care – Benefits or other income of individuals for whom the State is financial guardian.

0740	Income of Individuals in State Care

Investment Income – Proceeds from interest earned on cash, investments and loans, and income from changes in fair value of investments.

0800	Interest on Investments
0801	Interest on Program Loans
0810	Income from Investments – Treasury
0811	Interest on Program Loans – Treasury
0820	Excess Fund Interest – Treasury
0830	Net Increase (Decrease) in Fair Value of Investments
2340	Gain (Loss) on Sale of Investments
2341	Increase/(Decrease) in Income from Sale of Investments – Fair Value

Employee Contributions – Retirement contributions received by PERS.

1001	Retirement Contributions

Program Loan Repayments – Repayments of loan principal.

1100	Other Program Loan Repayments
1101	Housing Division Loan Repayments
1102	Veterans' Loan Repayments
1103	Senior Citizen Property Tax Repayments
1104	Other Loan Repayments

Other Revenue – Revenues not meeting any of the classifications above.

1105	Other Revenue
1106	Collection of Overpayments
1107	Reimbursement of Assistance
1108	Over/Short Account

Pension Bond Debt Service Assessments – Agency payments for pension bond debt service received by DAS.

1112	Pension Bond Debt Service Assessments

Transfers from Other Funds – Flows of assets (cash or goods) into an agency or fund without equivalent flows out in return and without a requirement for repayment.

1279	Transfer in from Board of Dentistry
1280	Transfer in from Board of Licensed Professional Counselors and Therapists
1282	Transfer in from Employment Relations Board
1283	Transfer in from Board of Clinical Social Workers
1285	Transfer in from State Board of Chiropractic Examiners
1287	Transfer in from Office of Public Defense Services
1288	Transfer in from Department of Human Services
1289	Transfer in from Oregon Health Licensing Agency
1290	Transfer in from Watershed Enhancement Board
1291	Transfer in from Land Use Board of Appeals
1292	Transfer in from Criminal Justice Commission
1293	Transfer in from Board of Accountancy
1294	Transfer in from State Board of Psychologists Examiners
1295	Transfer in from Board of Tax Practitioners
1296	Transfer in from Chief Education Office
1297	Transfer in from Higher Education Coordinating Commission
1298	Transfer in from Construction Contractors Board
1299	Transfer in from Oregon Youth Authority
1301	Transfer in from Other Fund
1302	Transfer in Lottery Proceeds
1303	Transfer in from General Fund
1305	Transfer in from State General Fund – Agency 999
1306	Transfer in from Department of Administrative Services
1307	Transfer in from Long-term Care Ombudsman
1308	Transfer in from Office of the Governor

1309	Transfer in from Oregon Business Development Department (Business Oregon)
1310	Transfer in from Legislative Counsel Committee
1311	Transfer in from Legislative Fiscal Office
1312	Transfer in from Oregon Advocacy Commissions Office
1314	Transfer in from Department of Justice
1315	Transfer in from Department of State Lands
1316	Transfer in from Department of Revenue
1317	Transfer in from Legislative Assembly
1318	Transfer in from Legislative Administration Committee
1319	Transfer in from Citizens Initiative Review
1320	Transfer in from Secretary of State
1321	Transfer in from Oregon State Treasury
1322	Transfer in from Lottery Commission
1323	Transfer in from Council on Court Procedures
1324	Transfer in from Judicial Department
1325	Transfer in from Military Department
1326	Transfer in from Oregon State Marine Board
1329	Transfer in from Department of State Police
1330	Transfer in from Department of Public Safety Standards
1331	Transfer in from Oregon Department of Veterans' Affairs
1332	Transfer in from Department of Corrections
1335	Transfer in from Oregon Department of Energy
1337	Transfer in from Department of Environmental Quality
1347	Transfer in from State Commission on Children and Families
1350	Transfer in from Public Employees Retirement System
1351	Transfer in from Department of Consumer and Business Services
1352	Transfer in from Office of Private Health Partnerships
1353	Transfer in from Oregon Health Authority
1355	Transfer in from Employment Department
1356	Transfer in from Indirect Cost Center
1358	Transfer in from Oregon State Library
1362	Transfer in from Department of Education
1365	Transfer in from Blind Commission
1367	Transfer in from Oregon Department of Agriculture
1370	Transfer in from Oregon Forest Resources Institute
1371	Transfer in from Department of Forestry
1372	Transfer in from Department of Geology and Mineral Industries
1373	Transfer in from Oregon Department of Fish and Wildlife
1374	Transfer in from Department of Land Conservation and Development
1375	Transfer in from Water Resources Department
1377	Transfer in from Parks and Recreation Department
1378	Transfer in from Department of Transportation
1383	Transfer in from Department of Aviation
1386	Transfer in from Health Related Licensing Boards

1387	Transfer in from Bureau of Labor and Industries
1388	Transfer in from Oregon Liquor Control Commission
1389	Transfer in from Oregon Medical Board
1390	Transfer in from Board of Nursing
1391	Transfer in from Public Utility Commission
1392	Transfer in from Oregon Racing Commission
1394	Transfer in from Housing and Community Services Department
1395	Transfer in from State Board of Pharmacy
1396	Transfer in from Real Estate Agency
1399	Transfer in from Water Resources Bond Program
1400	Transfer in from Teacher Standards and Practices Commission

Revenue Transfers Out – Payments of revenue sharing amounts (e.g., gas taxes) to cities, counties, and non-governmental units. This account is reclassified to special payments expenditures for financial reporting.

1404	Transfer to Cities
1405	Transfer to Counties
1407	Transfer to Oregon Health and Science University (Component Unit)
1408	Transfer to Non-Governmental Units
1429	Transfer to Independent Universities
1435	Transfer to Semi-Independent Agency

Long Term Debt Issued – The face amount of debt issued (which may not equal the proceeds received) in governmental funds. In proprietary funds, the cash received is recorded as Debt Proceeds.

1500	General Obligation Bonds (Dedicated Funds)
1501	General Obligation Bonds (Debt Service paid from General Fund)
1502	Lottery Revenue Bonds
1503	Revenue Bonds
1504	Tax Exempt Commercial Paper
1506	Certificates of Participation
1512	Appropriation Bonds

Refunded Debt Issued – The face amount of debt issued as refunding debt (which may not equal the proceeds received) in governmental funds. In proprietary funds, the cash received is recorded as Debt Proceeds.

1505	Proceeds from Refunding Bond/COP Debt

Debt Issuance Discount – The excess of par over the selling price for debt issued in governmental funds. Not used in proprietary funds.

1507	OID – Certificates of Participation
1508	OID – Bonds

Debt Issuance Premium – The excess of the selling price over par for debt issued in governmental funds. Not used in proprietary funds.

1509	OIP – Certificates of Participation
1510	OIP – Bonds
1511	OIP – Tax Anticipation Notes
1513	OIP – Appropriation Bonds

Loan Proceeds – Resources received on loan.

1600	Loan Proceeds

TAN Proceeds – Resources received from issuance of tax anticipation notes.

1605	Tax Anticipation Note Proceeds

Leases Incurred – In governmental funds, the present value of a lease incurred that meets the requirement of reporting as a capital lease.

1700	Leases Incurred

Transfers to Other Funds – Flows of assets (cash or goods) out of an agency or fund without equivalent flows coming in and without a requirement for repayment from the receiving fund.

1401	Transfer Out to Other Fund
1402	Transfer Out Lottery Proceeds
1403	Transfer Out to General Fund
1430	Transfer Out to Oregon Corrections Enterprises
1456	Transfer Out – Indirect Cost Center
1801	Transfer Out to Department of Administrative Services
1803	Transfer Out to Office of the Governor
1804	Transfer Out to Oregon Business Development Department (Business Oregon)
1805	Transfer Out to Oregon Government Ethics Commission
1807	Transfer Out to Oregon Advocacy Commissions Office
1809	Transfer Out to Department of Justice
1810	Transfer Out to Department of State Lands
1811	Transfer Out to Department of Revenue
1812	Transfer Out to Legislative Administration Committee
1813	Transfer Out to Secretary of State
1814	Transfer Out to Oregon State Treasury
1816	Transfer Out to Legislative Counsel Committee
1817	Transfer Out to Legislative Fiscal Office
1818	Transfer Out to Judicial Department
1819	Transfer Out to Military Department
1820	Transfer Out to Oregon State Marine Board
1822	Transfer Out to Department of State Police
1823	Transfer Out to Department of Public Safety Standards and Training
1824	Transfer Out to Oregon Department of Veterans' Affairs
1825	Transfer Out to Department of Corrections
1827	Transfer Out to Oregon Department of Energy
1829	Transfer Out to Department of Environmental Quality
1830	Transfer Out to Legislature Revenue Office

1841	Transfer Out to State Commission on Children and Families
1843	Transfer Out to Oregon Health Authority
1844	Transfer Out to Department of Consumer and Business Services
1845	Transfer Out to Office of Private Health Partnerships
1846	Transfer Out to Oregon Public Employees Retirement System
1848	Transfer Out to Employment Department
1850	Transfer Out to Oregon State Library
1854	Transfer Out to Department of Education
1856	Transfer Out to Chief Education Office
1857	Transfer Out to Higher Education Coordinating Commission
1858	Transfer Out to Oregon Department of Agriculture
1862	Transfer Out to Oregon Forest Resources Institute
1863	Transfer Out to Department of Forestry
1864	Transfer Out to Department of Geology and Mineral Industries
1865	Transfer Out to Oregon Department of Fish and Wildlife
1866	Transfer Out to Department of Land Conservation and Development
1867	Transfer Out to Water Resources Department
1868	Transfer Out to Parks and Recreation Department
1869	Transfer Out to Department of Transportation
1870	Transfer Out to Oregon Liquor Control Commission
1871	Transfer Out to Citizens Initiative Review
1872	Transfer Out to Travel Information Council
1876	Transfer Out to Department of Aviation
1879	Transfer Out to Health Related Licensing Boards
1880	Transfer Out to Bureau of Labor and Industries
1881	Transfer Out to Public Utilities Commission
1882	Transfer Out to Oregon Racing Commission
1883	Transfer Out to Board of Nursing
1884	Transfer Out to Housing and Community Services Department
1885	Transfer Out to Construction Contractors Board
1886	Transfer Out to Oregon Affordable Housing Assistance Corporation (OAHAC)
1889	Transfer Out to Real Estate Agency
1895	Transfer Out to State Board of Pharmacy
1896	Transfer Out to Oregon Youth Authority
1898	Transfer Out to Oregon Health Licensing Agency
1901	Transfer Out to Board of Tax Practitioners
1902	Transfer Out to Board of Accountancy
1903	Transfer Out to State Board of Psychologists Examiners
1904	Transfer Out to Criminal Justice Commission
1905	Transfer Out to Land Use Board of Appeals
1906	Transfer Out to Watershed Enhancement Board
1907	Transfer Out to Board of Licensed Professional Counselors and Therapists
1908	Transfer Out to Board of Clinical Social Workers
1909	Transfer Out to Teacher Standards and Practices Commission

1910	Transfer Out to Agency 999 (State General Fund)
1911	Transfer Out to Department of Human Services
1912	Transfer Out to Office of Public Defense Services
1913	Transfer Out to Board of Dentistry
1914	Transfer Out to Tourism Commission
1915	Transfer Out to Long Term Care Ombudsmen

Gain (Loss) on Disposition of Assets – The difference between the selling price received for an asset and its net book value. Reflected as “Other Revenue” in the governmental fund financial statements.

2330	Gain (Loss) on Disposition of Assets

Gain (Loss) on Foreclosed Property – The difference between the selling price of a property that has been foreclosed and resold, and the book value of that property.

2350	Gain (Loss) on Foreclosed Property

Contributions to Permanent Funds – Contributions of principal received by permanent funds.

2400	Contributions to Permanent Funds

Extraordinary Items – Transactions or other financial events that are both unusual in nature and infrequent in occurrence.

2450	Extraordinary Items

Special Items – Transactions or other financial events that are within the control of management and are either unusual in nature or infrequent in occurrence.

2500	Special Items

Capital Contributions – Contributions of net assets to a proprietary fund.

2550	Capital Contributions

Salaries and Wages – Payments of salaries and benefits to State employees.

3111	Regular Employees
3112	Board and Commission Per Diem
3113	Earnings, Piece Rate/Event
3114	Permanent Positions Full Time
3115	Reimburse Training Salaries
3116	Limited Duration Salaries
3117	Permanent Positions Part Time
3118	Legislator Salaries
3119	Interim Employees
3120	Board Member Stipends
3121	Temporary Employees
3122	Session Position Excluding Legislative Aide
3123	Session Position Legislative Aide Only
3124	Session Employee Salaries
3125	Judges Salaries
3126	Payments of Deceased Employees Wages/Leave
3127	Disaster/Rescue Operations
3129	Wage-related Penalty Payment/YvO etc
3130	Seasonal Positions

3133	Firefighting Labor
3171	Overtime Payments
3172	Overtime – Double Time
3173	On Duty – Call Back – Overtime
3174	Overtime Training
3176	Vehicle Allowance
3181	Shift Differential
3190	All Other Differential
3191	Seasonal Differential/Lieu of Public Employ
3192	Holiday Pay
3193	Per Diem Lieu of Benefits
3194	Out of Class, Lead Work, Special Qualifications
3195	Longevity Bonus – Incentive
3196	Standby Duty Pay
3197	Diving Differential
3198	Penalty Pay
3199	Travel Differential
3210	Public Employees Retirement Contribution
3211	Employer Retirement Contribution to Deferred Compensation
3212	Pension Bond Assessment
3214	Pension Expense – GASB 68
3221	Social Security Taxes
3226	Social Security Taxes – Wages of Deceased Employee
3231	Unemployment Compensation and Assessment
3241	Workers' Compensation Assessments
3251	Workers' Accident Insurance
3252	Workers' Accident Insurance – Volunteer
3260	Health Engagement Model (HEM) Employee Incentive
3261	OPEU Cash
3262	Health Care Cash
3263	Medical, Dental, Life Insurance
3264	Medical, Dental, Life Insurance – Agency Subsidy
3271	Other Payroll Expenses
3281	Mass Transit Tax
3291	Employment Relations Board Assessments

Services and Supplies – Professional and technical services, property services, training and travel expenses, and purchases of supplies for use in government operations.

3800	Consultant Payroll – Professional Services
3805	Taxable Employee Reimbursable Expense – Payroll Other Services
3810	Employee Relocation – Payroll
3815	Laundry Services – Payroll
3820	Uniforms – Payroll
3830	Client Payments
3835	Elected Official Allowance

3836	In Leg Meals and Lodging – Payroll
3837	In Leg Ground Transportation – Payroll
4001	Annuity and Disability Benefits
4002	Death Benefits
4030	PERS Benefit Equalization
4101	Instate Meals with Overnight Stay
4103	Instate Mileage Reimbursement
4104	Instate Travel Miscellaneous Expenses
4105	Instate Meals – No Overnight Stay
4106	Instate Lodging
4107	Instate Air Transportation
4108	Instate Ground Transportation
4109	Instate Mileage Reimbursement – Full Rate
4110	Instate Mileage Reimbursement – Reduced Rate
4111	Instate Mileage Reimbursement - Volunteers
4112	Instate Mileage Reimbursement - Nonemployee
4149	Out of State Meals – No Overnight Stay
4150	Out of State Lodging
4151	Out of State Meals with Overnight Stay
4153	Out of State Mileage Reimbursement
4154	Out of State Travel Miscellaneous Expense
4155	Foreign Meals and Lodging
4156	Foreign Travel Mileage Reimbursement
4157	Foreign Ground Transportation
4158	Foreign Travel Miscellaneous Expense
4159	Out of State Air Transportation
4160	Out of State Ground Transportation
4161	Foreign Air Transportation
4162	Out-Of-State Mileage Reimbursement – Full Rate
4163	Out-Of-State Mileage Reimbursement – Reduced Rate
4164	Out-Of-State Mileage Reimbursement - Volunteers
4165	Out-Of-State Mileage Reimbursement - Nonemployee
4200	Office Supplies
4201	Office Services
4202	Equipment Rental
4206	Catering Services
4250	Dues and Memberships
4251	Subscriptions and Publications
4253	Advertising, Publicity, Publishing, and Printing Services
4255	Prizes and Awards
4301	Telecom/Voice Usage
4302	Telecom/Voice Equipment Rental < $5k
4303	Telecom/Voice Maintenance
4304	Telecom/Voice Equipment < $5k

4305	Telecom/Network Services
4306	Telecom/Network Equipment < $5k
4307	Telecom/Network Support
4310	Telecom/Wireless Public Safety Usage
4311	Telecom/Wireless PS Equipment < $5k
4312	Telecom/Wireless PS Support
4315	Telecom/Teleconference Usage
4316	Telecom/Teleconference Equipment < $5k
4317	Telecom/Teleconference Support
4354	Computer Technology Mainframe Equip < $5k
4355	Computer Technology Mainframe Equip Rental < $5k
4356	Computer Technology Mainframe Software < $5k
4357	Computer Technology Mainframe Support
4360	Computer Technology Server Equip < $5k
4361	Computer Technology Server Software < $5k
4362	Computer Technology Server Support
4365	Computer Technology PC Equipment < $5k
4366	Computer Technology PC Software < $5k
4367	Computer Technology PC Support
4370	Computer Technology Peripheral Equip Rental < $5k
4371	Computer Technology Peripheral Support
4372	Computer Technology Peripheral Equip < $5k
4375	Computer Technology Computer Processing
4401	Training, Education, or Instruction Services
4402	Interagency Training, Education, or Instruction Services
4404	Professional Development In House Training
4406	Professional Development Instate Tuition and Registration, 1099 Reportable
4409	Professional Development Instate Mileage Reimbursement
4410	Professional Development Instate Travel Miscellaneous Expense
4411	Professional Development Out of State Tuition and Registration, 1099 Reportable
4414	Professional Development Out of State Mileage Reimbursement
4415	Professional Development Out of State Travel Miscellaneous Expenses
4416	Professional Development Foreign Meals and Lodging
4418	Professional Development Foreign Ground Transportation
4419	Professional Development Foreign Tuition and Registration
4420	Professional Development Foreign Travel Miscellaneous Expenses
4421	Professional Development Foreign Mileage Reimbursement
4422	Employee Recruitment Meals
4426	Professional Development Training Materials
4428	Training Supplies
4429	Training Equipment < $5K
4430	Employee Recruitment, Wellness and Safety, 1099 Reportable
4431	Employee Reimbursement Professional Development Instate Meals/Lodging
4432	Employee Reimbursement Professional Development Out of State Meals/Lodging

4433	Professional Development Instate Lodging
4434	Professional Development Out of State Lodging
4435	Professional Development Instate Meals, No Overnight Stay
4436	Professional Development Out of State Meals, No Overnight Stay
4437	Professional Development Dues and Memberships
4438	Professional Development Instate Air Transportation
4439	Professional Development Instate Ground Transportation
4440	Professional Development Out of State Air Transportation
4441	Professional Development Out of State Ground Transportation
4442	Professional Development Foreign Air Transportation
4443	Employee Recruitment Lodging
4444	Employee Recruitment Air Transportation
4445	Employee Recruitment Ground Transportation
4446	Employee Recruitment Travel Reimbursement
4447	Employee Recruitment Mileage Reimbursement
4450	Professional Development Instate Mileage Reimbursement – Full Rate
4451	Professional Development Instate Mileage Reimbursement – Reduced Rate
4452	Professional Development Out-Of-State Mileage Reimbursement – Full Rate
4453	Professional Development Out-Of-State Mileage Reimbursement – Reduced Rate
4500	Professional Services Non-IT < $75K
4505	Professional Services Non-IT > $75K
4510	Professional Services/Network
4511	Professional Services/Wireless Public Safety
4512	Professional Services/Teleconference
4513	Professional Services/Application New
4514	Professional Services/Application Modifications
4515	Professional Services/Application Maintenance
4516	Professional Services/Servers
4517	Professional Services/IT Security
4518	Professional Services/IT Quality Assurance
4519	Professional Services/Managed Service Provider
4520	Professional Services/IT Quality Control
4526	Dispute Resolution Services
4550	Attorney General Legal Fees
4600	State Government Service Charges
4625	ARRA Central Service Charges
4650	Intra/Inter Agency Charges
4675	Delinquent Claims Interest
4680	Loss Liability Expenditure
4685	Liability Expenditure – Attorney Settlement
4690	Pollution Remediation Outlays
4701	Other Services
4703	Uniforms
4704	Other Supplies

4705	Laundry Services
4720	Collection Fees – DOR
4725	Collection Fees – Private Collection Agent
4730	Merchant Fees
4735	Credit Card Surcharges
4740	Investment Expense
4800	Facilities Rent
4801	Facilities Taxes
4825	Fuels and Utilities
4850	Facilities Maintenance
4851	Facilities Supplies
4875	Food and Kitchen Supplies
4900	Medical Supplies
4901	Medical Services
4902	Medical Rentals
4950	Other Care of Residents/Patients – Service
4951	Other Care of Resident/Patient – Supplies
4952	Transitional Housing
4975	Agency Program Related Services
4976	Agency Program Related Supplies
4977	Agency Program Related Reimbursements
4999	Expendable Property Non-IT < $5k
7430	Amortization – Prepaid Expenses

Capital Outlay – Expenditures for acquiring capital assets.

5100	Office Furniture and Fixtures > $5K
5105	Installation of Furniture and Fixtures > $5K, 1099 Reportable
5120	Works of Art and Historical Treasures > $5K
5125	Installation of Art and Historical Treasures > $5K, 1099 Reportable
5150	Equipment and Machinery > $5K
5155	Installation of Equipment and Machinery > $5K, 1099 Reportable
5170	Motor Vehicles > $5K
5175	Assembly/Motor Vehicles > $5K, 1099 Reportable
5200	Telecom/Voice Equipment > $5K
5201	Telecom/Network Equipment > $5K
5202	Telecom/Wireless PS Equip > $5K
5203	Telecom/Teleconference Equip > $5K
5205	Telecom/Installation Services > $5K
5250	Technical Equipment > $5K
5255	Installation/Technical Equipment > $5K, 1099 Reportable
5300	Information Technology Network Software > $5K
5301	Information Technology Mainframe Software > $5K
5302	Information Technology Server Software > $5K
5303	Information Technology PC Software > $5K

5305	Information Technology Software Services > $5K, 1099 Reportable
5350	Computer Technology Mainframe Equip > $5K
5351	Computer Technology Server Equip > $5K
5352	Computer Technology Peripheral Equip > $5K
5355	Computer Technology Installation Service > $5K
5400	Household and Institutional Equipment > $5K
5405	Installation of Household and Institutional Equipment > $5K, 1099 Reportable
5450	Industrial and Heavy Equipment > $5K
5455	Installation of Industrial and Heavy Equipment > $5K, 1099 Reportable
5500	Aircraft > $5K
5505	Assembly/Aircraft > $5K, 1099 Reportable
5600	Agricultural Equipment and Machinery > $5K
5605	Installation of Agricultural Equipment and Machinery > $5K, 1099 Reportable
5705	Land Improvements > $5K, 1099 Reportable
5725	Land Use Rights > $5K
5730	Land > $5K
5755	Leasehold Improvements > $5K, 1099 Reportable
5770	Capital Leased Property > $5K
5775	Installation/Capital Leased Property > $5K, 1099 Reportable
5805	Buildings and Improvements > $5K, 1099 Reportable
5905	Other Capital Outlay > $5K, 1099 Reportable
5915	Other Intangible Assets > $5K
5925	State Highways > $5K, 1099 Reportable
5935	Other Roads > $5K, 1099 Reportable
5945	Tunnels and Bridges > $5K, 1099 Reportable
5955	Airports > $5K, 1099 Reportable
5965	Utility Systems > $5K, 1099 Reportable
5975	Docks, Dikes, and Dams > $5K, 1099 Reportable

Cost of Goods Sold – Cost of inventories sold in proprietary fund operations.

4061	Merchandise Inventory (Stores for Resale)
4062	Other Cost of Goods Sold
4063	Liquor Cost of Goods Sold

Special Payments to State Agencies – Distributions to other state agencies that will be reported as interagency transfers in the GAAP financial statements but are budgeted as expenditures.

6081	Distribution to Board of Dentistry
6082	Distribution to Department of Human Services
6084	Distribution to Oregon Watershed Enhancement Board
6085	Distribution to Land Use Board of Appeals
6086	Distribution to Criminal Justice Commission
6087	Distribution to State Board of Psychologists Examiners
6088	Distribution to Board of Accountancy
6089	Distribution to Board of Tax Practitioners
6094	Distribution to Oregon State Marine Board

6095	Distribution to State Board of Chiropractic Examiners
6096	Distribution to Oregon Youth Authority
6097	Distribution to Office of Private Health Partnerships
6098	Distribution to Office of the Governor
6105	Distribution to Oregon State Library
6110	Distribution to Public Defense Services
6122	Distribution to Department of Administrative Services
6123	Distribution to Long Term Care Ombudsman
6124	Distribution to Oregon Business Development Department (Business Oregon)
6125	Distribution to Oregon Advocacy Commissions Office
6126	Distribution to Department of Justice
6127	Distribution to Department of State Lands
6128	Distribution to Department of Revenue
6129	Distribution to Oregon State Treasury
6130	Distribution to Legislative Administration Committee
6131	Distribution to Secretary of State
6132	Distribution to Judicial Department
6133	Distribution to Military Department
6135	Distribution to State Board of Parole & Post Prison Supervision
6136	Distribution to Department of State Police
6137	Distribution to Department of Public Safety Standards and Training
6138	Distribution to Oregon Department of Veterans' Affairs
6139	Distribution to Department of Corrections
6142	Distribution to Oregon Department of Energy
6144	Distribution to Department of Environmental Quality
6151	Distribution to Psychiatric Security Review Board
6155	Distribution to State Board of Pharmacy
6157	Distribution to Oregon Health Authority
6158	Distribution to State Commission on Children and Families
6161	Distribution to Department of Consumer and Business Services
6162	Distribution to Oregon Public Employees Retirement System
6164	Distribution to Employment Department
6170	Distribution to Department of Education
6172	Distribution to Teacher Standards and Practices Commission
6173	Distribution to Commission for the Blind
6175	Distribution to Oregon Department of Agriculture
6177	Distribution to Department of Forestry
6178	Distribution to Department of Geology and Mineral Industries
6179	Distribution to Oregon Department of Fish and Wildlife
6180	Distribution to Department of Land Conservation and Development
6181	Distribution to Water Resources Department
6182	Distribution to Parks and Recreation Department
6183	Distribution to Department of Transportation
6188	Distribution to Department of Aviation

6190	Distribution to Health Related Licensing Boards
6191	Distribution to Bureau of Labor and Industries
6192	Distribution to Oregon Liquor Control Commission
6193	Distribution to Oregon Medical Board
6194	Distribution to Board of Nursing
6195	Distribution to Public Utilities Commission
6196	Distribution to Housing and Community Services Department
6197	Distribution to Construction Contractors Board
6198	Distribution to Higher Education Coordinating Commission
6200	Intra-agency General Fund/Other Fund Transfers

Special Payments – Distributions to entities outside state government.

6093	Distribution to Oregon Health and Science University (Component Unit)
6300	Distribution to Counties
6400	Distribution to Cities
6450	Distribution to University of Oregon
6451	Distribution to Oregon State University
6452	Distribution to Portland State University
6453	Distribution to Southern Oregon University
6454	Distribution to Eastern Oregon University
6455	Distribution to Western Oregon University
6456	Distribution to Oregon Institute of Technology
6457	Distribution to Oregon Affordable Housing Assistance Corporation (OAHAC)
6500	Distribution to Community College Districts
6600	Distribution to Local School Districts
6700	Distribution to Other Governments
6725	Distribution to Non-Governments
6726	Distribution to For-Profit Subrecipient
6730	Other Distributions to Subrecipients
6735	Distribution to Non-Profit Organizations
6740	Other Distribution to Taxable Subrecipients
6800	Distribution to Individuals
6805	Client/Benefit Payments
6808	Distributions to Non-Employees
6810	Rental Assistance
6820	Payments to Counties
6821	Payments to Cities
6822	Payments to Community College Districts
6823	Payments to Local School Districts
6824	Payments to Other Governments
6826	Payments to Non-governments
6893	Payments to OHSU (Component Unit)
6900	Other Special Payments
6905	Loan Repayment on Behalf of Grant Subrecipients

6910	Distribution to Contract Service Provider
6950	Other Special Payments – Medical Services

Loans Repaid – Repayments of loans received.

6825	Loans Repaid to State Agencies

Loans Made – Payments to others that are to be repaid at a future date.

6727	Loans Made – Subrecipient Distribution
6850	Loans Made to Individuals
6870	Loans Made to State Agencies
6875	Loans Made – Other

Refunded Debt Payment to Escrow Agent – Payment to escrow agent of the amounts needed to defease bonds or other debt.

4051	Bond Refunding Debt Payment – Escrow – Agency Cash
4056	COP Refunding Debt Payment – Escrow Agent Not From Proceeds
7050	Refunded Debt Payment – Escrow Agent – from Bond/COP Proceeds

Gain (Loss) on Capital Asset Impairments – An amount calculated using one of four methods that represents the portion of the historical cost that will be written off as a result of the capital asset impairment. When an insurance recovery is recognized in the same fiscal year as the impairment, the gain (loss) on capital asset impairment is reported net of the insurance recovery.

7510	Gain (Loss) on Capital Asset Impairments

Insurance Recovery Subsequent to Loss – (1) Insurance settlement for an insured loss related to a capital asset impairment recognized in a fiscal year subsequent to the year of the impairment; or (2) insurance settlement for an insured loss (such as theft) not related to capital asset impairment.

7511	Insurance Recovery Subsequent to Loss

Principal – Payments of the face amount of debt.

7100	Principal – Bonds
7150	Principal – Certificates of Participation
7200	Principal – Loans
7275	Principal – Appropriation Bonds
7410	Principal – Tax Anticipation Notes

Interest – Payments of the charges for the use of borrowed money.

7250	Interest – Bonds
7280	Interest – Appropriation Bonds
7300	Interest – Certificates of Participation
7400	Interest – Loans
7405	Other Interest Expense
7415	Interest – Tax Anticipation Notes
7450	Amortization – Discount/Premium on Bonds
7455	Amortization – Discount/Premium on Certificates of Participation
7456	Amortization – Discount/Premium on Tax Anticipation Notes
7468	Amortization of Prepaid Debt Insurance
7470	Amortization Deferred Loss (Gain) on Refunding

Other Debt Service – Expenses associated with servicing debt other than principal or interest.

2310	Loss on Bond Calls – Disbursements
2311	Loss on COP Calls – Disbursements
2315	Loss on Bond Call – Capitalization Write Off
2316	Loss on COP Call – Capitalization Write Off
4040	Appropriation Bond Costs
4045	TAN Costs
4050	Bond Costs
4055	Certificate of Participation Costs

Depreciation and Amortization – The systematic and rational apportionment of costs over a period of time.

7474	Amortization of Other Capital Assets
7475	Amortization of Leasehold Improvements
7476	Depreciation Expense
7477	Amortization of Leased Property
7478	Amortization of Software

Bad Debt Expense – The expense associated with writing off loans owed to the agency that cannot be reported as a reduction of revenue because no revenue has been recorded.

7479	Bad Debt Expense

Change in Reserve for Inventories – The change between reporting periods in the amount of inventory reported in a governmental fund.

7500	Increase/Decrease in Governmental Inventories Reserve

DEPARTMENT OF ADMINISTRATIVE SERVICES

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT:	Accounting and Financial Reporting	**Number:**	60.30.00
DIVISION:	Chief Financial Office	**Effective date:**	June 14, 2017
Chapter:	Chart of Accounts		
Part:	Comptroller Objects (Nominal Accounts) - Numeric Sequence		

D10	Comptroller Object Title	Definition
0050	Grant Budget Beg Balance TC076 Only	To record the expendable budget for a grant.
0111	Personal Income Taxes	Taxes on individuals based on income.
0115	Corporate Excise and Income Taxes	Taxes on corporations based on income.
0121	Cigarette Taxes	Taxes on cigarettes.
0122	Motor Fuels Taxes	Taxes on gasoline and diesel fuel; constitutionally dedicated to transportation purposes.
0123	Weight-Mile Taxes	Use taxes imposed on trucks; constitutionally dedicated to transportation purposes.
0124	Alcoholic Beverage Taxes	Taxes on alcoholic beverages.
0125	Other Selective Taxes	Taxes on a specific product or service that does not have its own comptroller object.
0126	Vehicle Registration Taxes	Taxes charged for the use of vehicles on the State's roads; constitutionally dedicated for transportation purposes.
0129	Healthcare Provider Taxes	Taxes on hospitals and other healthcare providers.
0130	Other Tobacco Product Taxes	Taxes on tobacco products other than cigarettes.
0131	Marijuana Product Taxes	Taxes on marijuana products.
0141	Amusement Taxes	Taxes on the intake of a lottery machine.
0142	Public Utilities Taxes	Taxes on public utilities to regulate tax rates charged to customers.
0143	Insurance Premium Taxes	Taxes on out-of-state insurers as a cost to do business in Oregon.
0144	Other Gross Receipts Business Taxes	Other Taxes – Selective taxes on sales, use, receipts and transfers of assets.

0151	Employment Taxes	Taxes used for the payment of unemployment benefits to individuals.
0152	Worker's Compensation Insurance Taxes	Assessments - Taxes collected from insurers based on workers' compensation premiums earned in Oregon.
0153	Other Employer – Employee Taxes	Payroll taxes on employers and employees.
0160	Inheritance Taxes	Taxes on the value of a deceased person's assets.
0171	Eastern Oregon Severance Taxes	Taxes on the removal of nonrenewable resources.
0172	Western Oregon Severance Taxes	Taxes on the removal of nonrenewable resources.
0173	Other Severance Taxes	Taxes on the removal of nonrenewable resources.
0181	Forest Protection Taxes	Other Taxes – Selective taxes on sales, use, receipts and transfers of assets.
0182	Other Taxes	Other Taxes – Selective taxes on sales, use, receipts and transfers of assets.
0210	Corporation Fees	Licenses and Fees – Revenue from businesses and individuals for the privilege of doing business or in return for other benefits.
0211	Fire Marshal Fees	Licenses and Fees – Revenue from businesses and individuals for the privilege of doing business or in return for other benefits.
0212	Other Business Licenses and Fees	Licenses and Fees – Revenue from businesses and individuals for the privilege of doing business or in return for other benefits.
0220	Park User Fees	Licenses and Fees – Revenue from businesses and individuals for the privilege of doing business or in return for other benefits.
0222	Drivers Licenses	Licenses and Fees – Revenue from businesses and individuals for the privilege of doing business or in return for other benefits.
0223	Transportation Licenses and Fees	Licenses and Fees – Revenue from businesses and individuals for the privilege of doing business or in return for other benefits.
0224	Hunter and Angler Licenses	Licenses and Fees – Revenue from businesses and individuals for the privilege of doing business or in return for other benefits.
0225	Commercial Fishing and Hunting Fees	Licenses and Fees – Revenue from businesses and individuals for the privilege of doing business or in return for other benefits.
0226	Power and Water Fees	Licenses and Fees – Revenue from businesses and individuals for the privilege of doing business or in return for other benefits.

0227	State Court Fees	Licenses and Fees – Revenue from businesses and individuals for the privilege of doing business or in return for other benefits.
0228	Other Nonbusiness Licenses and Fees	Licenses and Fees – Revenue from businesses and individuals for the privilege of doing business or in return for other benefits.
0229	Indigent Defense Recovery	Licenses and Fees – Revenue from businesses and individuals for the privilege of doing business or in return for other benefits.
0300	Federal Revenue	Federal – All revenues and cost reimbursements received directly from the federal government.
0355	Federal Revenue as Other Funds	Federal – All revenues and cost reimbursements received directly from the federal government.
0360	Federal Revenue Service Contracts	Federal – All revenues and cost reimbursements received directly from the federal government.
0365	Build America Bonds Federal Credit	Federal – All revenues and cost reimbursements received directly from the federal government.
0401	Administrative and Service Charges	Charges for Services – All revenues received from individuals, businesses, other funds, and other governments in return for services performed.
0402	Education of Children in State Schools	Charges for Services – All revenues received from individuals, businesses, other funds, and other governments in return for services performed.
0403	Care of State Wards	Charges for Services – All revenues received from individuals, businesses, other funds, and other governments in return for services performed.
0404	Support Collections	Charges for Services – All revenues received from individuals, businesses, other funds, and other governments in return for services performed.
0405	Central Service Charges	Charges for Services – All revenues received from individuals, businesses, other funds, and other governments in return for services performed.
0406	Indirect Cost Reimbursements	Charges for Services – All revenues received from individuals, businesses, other funds, and other governments in return for services performed.
0407	Other Charges for Services	Charges for Services – All revenues received from individuals, businesses, other funds, and other governments in return for services performed.
0408	Merchant Card Convenience & Service Fees	Revenues from fees assessed to individuals and businesses in order to support customer credit and debit card payments and cover the costs associated with card acceptance as authorized by law and payment card industry rules.

0410	Insurance Premiums	Charges for Services – All revenues received from individuals, businesses, other funds, and other governments in return for services performed.
0500	Fines, Forfeitures, and Penalties	Revenues from fines, penalties, and confiscated deposits imposed for the commission of statutory offenses, violation of lawful administrative rules, or neglect of official duty.
0560	Rebates and Recoveries	Rebates and Recoveries is intended to report rebates that cannot be reported as a reduction of a related expenditure and refunds/recoveries of prior year expenses/expenditures.
0600	Rents and Royalties	Resources derived from the use by others of the State's tangible and intangible assets
0701	Liquor Sales	Sales – Revenue derived from the sale of merchandise, publications, supplies, and other items.
0702	Pari-Mutuel Receipts	Sales – Revenue derived from the sale of merchandise, publications, supplies, and other items.
0703	State Forest Lands	Sales – Revenue derived from the sale of merchandise, publications, supplies, and other items.
0704	Common School Lands	Sales – Revenue derived from the sale of merchandise, publications, supplies, and other items.
0708	Other Sales Income	Sales – Revenue derived from the sale of merchandise, publications, supplies, and other items.
0709	Donations	Resources donated to the State from external parties, excluding federal grants.
0716	Grants – Non Federal	Grants provided by an entity of than a Federal agency.
0720	Unclaimed Property Revenue	Unclaimed warrants, checks, safe deposit contents, and other abandoned property that the State holds while looking for the rightful owner. Also includes escheat property that reverts to the Common School Fund on an individual´s death because no heir or will exists or can be found.
0725	Tobacco Settlement Proceeds	Proceeds from tobacco industry lawsuit.
0726	Foreclosure settlement proceeds	Proceeds from foreclosure lawsuits to take property to satisfy a debt. The bank or lender may take actual ownership of the property or have the property sold to pay off the debt.
0730	Veterans' Income	Benefits or other income of Veterans for whom the State is financial guardian.
0740	Income of Individuals in State Care	Benefits or other income of individuals for whom the State is financial guardian.
0800	Interest on Investments	Investment Income – Proceeds from interest earned on cash and investments held outside of Treasury.
0801	Interest on Program Loans	Investment Income – Income from program loans made outside of state agencies.

0810	Income from Investments – Treasury	Investment Income – Proceeds from interest earned on investments held through the Treasury.
0811	Interest on Program Loans – Treasury	Investment Income – Proceeds from interest earned program loans made with agencies.
0820	Excess Fund Interest – Treasury	Investment Income – Proceeds from interest earned on cash held in the State Treasury.
0830	Net Increase (Decrease) in Fair Value of Investments	Investment Income – Income (loss) due to changes in fair value of all investments.
1001	Retirement Contributions	Employee Contributions – Retirement contributions received by PERS.
1100	Other Program Loan Repayments	Program Loan Repayments – Repayments of loan principal.
1101	Housing Division Loan Repayments	Program Loan Repayments – Repayments of loan principal.
1102	Veterans' Loan Repayments	Program Loan Repayments – Repayments of loan principal.
1103	Senior Citizen Property Tax Repayments	Program Loan Repayments – Repayments of loan principal.
1104	Other Loan Repayments	Program Loan Repayments – Repayments of loan principal.
1105	Other Revenue	Other Revenue – Revenues not meeting any of the classifications above.
1106	Collection of Overpayments	Other Revenue – Revenues not meeting any of the classifications above.
1107	Reimbursement of Assistance	Other Revenue – Revenues not meeting any of the classifications above.
1108	Over/Short Account	Other Revenue – Revenues not meeting any of the classifications above.
1112	Pension Bond Debt Service Assessments	Agency payments for pension bond debt service received by DAS.

Description applies to Comptroller Objects listed below: Transfers from Other Funds – Flows of assets (cash or goods) into an agency or fund without equivalent flows out in return and without a requirement for repayment.

1279	Transfer in from Board of Dentistry
1280	Transfer in from Board of Licensed Professional Counselors and Therapists
1282	Transfer in from Employment Relations Board
1283	Transfer in from Board of Clinical Social Workers
1285	Transfer in from State Board of Chiropractic Examiners
1287	Transfer in from Office of Public Defense Services
1288	Transfer in from Department of Human Services

1289	Transfer in from Oregon Health Licensing Agency
1290	Transfer in from Watershed Enhancement Board
1291	Transfer in from Land Use Board of Appeals
1292	Transfer in from Criminal Justice Commission
1293	Transfer in from Board of Accountancy
1294	Transfer in from State Board of Psychologists Examiners
1295	Transfer in from Board of Tax Practitioners
1296	Transfer in from Chief Education Office
1297	Transfer in from Higher Education Coordinating Commission
1298	Transfer in from Construction Contractors Board
1299	Transfer in from Oregon Youth Authority
1301	Transfer in from Other Fund
1302	Transfer in Lottery Proceeds
1303	Transfer in from General Fund
1305	Transfer in from State General Fund – Agency 999
1306	Transfer in from Department of Administrative Services
1307	Transfer in from Long-term Care Ombudsman
1308	Transfer in from Office of the Governor
1309	Transfer in from Oregon Business Development Department (Business Oregon)
1310	Transfer in from Legislative Counsel Committee
1311	Transfer in from Legislative Fiscal Office
1312	Transfer in from Oregon Advocacy Commissions Office
1314	Transfer in from Department of Justice
1315	Transfer in from Department of State Lands
1316	Transfer in from Department of Revenue
1317	Transfer in from Legislative Assembly
1318	Transfer in from Legislative Administration Committee
1319	Transfer in from Citizens Initiative Review
1320	Transfer in from Secretary of State

1321	Transfer in from Oregon State Treasury
1322	Transfer in from Lottery Commission
1323	Transfer in from Council on Court Procedures
1324	Transfer in from Judicial Department
1325	Transfer in from Military Department
1326	Transfer in from Oregon State Marine Board
1329	Transfer in from Department of State Police
1330	Transfer in from Department of Public Safety Standards
1331	Transfer in from Oregon Department of Veterans' Affairs
1332	Transfer in from Department of Corrections
1335	Transfer in from Oregon Department of Energy
1337	Transfer in from Department of Environmental Quality
1347	Transfer in from Commission on Children and Families
1350	Transfer in from Public Employees Retirement System
1351	Transfer in from Department of Consumer and Business Services
1352	Transfer in from Office of Private Health Partnerships
1353	Transfer in from Oregon Health Authority
1355	Transfer in from Employment Department
1356	Transfer in from Indirect Cost Center
1358	Transfer in from Oregon State Library
1362	Transfer in from Department of Education
1365	Transfer in from Blind Commission
1367	Transfer in from Oregon Department of Agriculture
1370	Transfer in from Oregon Forest Resources Institute
1371	Transfer in from Department of Forestry
1372	Transfer in from Department of Geology and Mineral Industries
1373	Transfer in from Oregon Department of Fish and Wildlife
1374	Transfer in from Department of Land Conservation and Development
1375	Transfer in from Water Resources

1377	Transfer in from Parks and Recreation	
1378	Transfer in from Department of Transportation	
1383	Transfer in from Department of Aviation	
1386	Transfer in from Health Related Licensing Boards	
1387	Transfer in from Bureau of Labor and Industries	
1388	Transfer in from Oregon Liquor Control Commission	
1389	Transfer in from Oregon Medical Board	
1390	Transfer in from Board of Nursing	
1391	Transfer in from Public Utility Commission	
1392	Transfer in from Oregon Racing Commission	
1394	Transfer in from Housing and Community Services	
1395	Transfer in from Board of Pharmacy	
1396	Transfer in from Real Estate Agency	
1399	Transfer in from Water Resources Bond Program	
1400	Transfer in from Teacher Standards and Practices Commission	
1404	Transfer to Cities	Revenue Transfers Out – Payments of revenue sharing amounts (e.g., gas taxes) to cities, counties, and non-governmental units. This account is reclassified to special payments expenditures for financial reporting.
1405	Transfer to Counties	Revenue Transfers Out – Payments of revenue sharing amounts (e.g., gas taxes) to cities, counties, and non-governmental units. This account is reclassified to special payments expenditures for financial reporting.
1407	Transfer to Oregon Health and Science University (Revenue Disbursements)	Revenue Transfers Out – Payments of revenue sharing amounts to OHSU. This account is reclassified to special payments expenditures for financial reporting.
1408	Transfer to Non-Governmental Units	Revenue Transfers Out – Payments of revenue sharing amounts (e.g., gas taxes) to cities, counties, and non-governmental units. This account is reclassified to special payments expenditures for financial reporting.
1429	Transfer to Independent Universities	Revenue Transfers Out - Payments of revenue sharing amounts to universities formerly part of the Oregon University System (excluding OHSU). This account is reclassified to special payments expenditures for financial reporting.
1435	Transfer to Semi-Independent Agency	Revenue Transfers Out – Payments of revenue sharing amounts (e.g., gas taxes) to cities, counties, and non-governmental units. This account is reclassified to special payments expenditures for financial reporting.

1500	General Obligation Bonds (Dedicated Funds)	Long Term Debt Issued – The face amount of debt issued (which may not equal the proceeds received) in governmental funds when debt service is to be paid by any fund other than the General Fund. In proprietary funds, the cash received is recorded as Debt Proceeds.
1501	General Obligation Bonds (Debt Service Paid from General Fund)	Long Term Debt Issued – The face amount of debt issued (which may not equal the proceeds received) when debt service is to be paid by the General Fund.
1502	Lottery Revenue Bonds	Long Term Debt Issued – The face amount of debt issued (which may not equal the proceeds received) in governmental funds. In proprietary funds, the cash received is recorded as Debt Proceeds.
1503	Revenue Bonds	Long Term Debt Issued – The face amount of debt issued (which may not equal the proceeds received) in governmental funds. In proprietary funds, the cash received is recorded as Debt Proceeds.
1504	Tax Exempt Commercial Paper	Long Term Debt Issued – The face amount of debt issued (which may not equal the proceeds received) in governmental funds. In proprietary funds, the cash received is recorded as Debt Proceeds.
1505	Proceeds from Refunding Bond/COP Debt	Refunded Debt Issued – The face amount of debt issued as refunding debt (which may not equal the proceeds received) in governmental funds. In proprietary funds, the cash received is recorded as Debt Proceeds.
1506	Certificates of Participation	Long Term Debt Issued – The face amount of debt issued (which may not equal the proceeds received) in governmental funds. In proprietary funds, the cash received is recorded as Debt Proceeds.
1507	OID – Certificates of Participation	Debt Issuance Discount – The excess of par over the selling price for debt issued in governmental funds. Not used in proprietary funds.
1508	OID – Bonds	Debt Issuance Discount – The excess of par over the selling price for debt issued in governmental funds. Not used in proprietary funds.
1509	OIP – Certificates of Participation	Debt Issuance Premium – The excess of the selling price over par for debt issued in governmental funds. Not used in proprietary funds.
1510	OIP – Bonds	Debt Issuance Premium – The excess of the selling price over par for debt issued in governmental funds. Not used in proprietary funds.
1511	OIP – Tax Anticipation Notes	Debt Issuance Premium – The excess of the selling price over par for debt issued in governmental funds. Not used in proprietary funds.
1512	Appropriation Bonds	Long Term Debt Issued – The face amount of debt issued (which may not equal the proceeds received) in governmental funds. In proprietary funds, the cash received is recorded as

		Debt Proceeds.
1513	OIP – Appropriation Bonds	Debt Issuance Premium – The excess of the selling price over par for debt issued in governmental funds. Not used in proprietary funds.
1600	Loan Proceeds	Resources received on loan.
1605	Tax Anticipation Note Proceeds	Resources received from issuance of tax anticipation notes.
1700	Leases Incurred	In governmental funds, the present value of a lease incurred that meets the requirement of reporting as a capital lease.

Description applies to Comptroller Objects listed below: Transfers to Other Funds – Flows of assets (cash or goods) out of an agency or fund without equivalent flows coming in and without a requirement for repayment from the receiving fund.

1401	Transfer Out to Other Fund
1402	Transfer Out Lottery Proceeds
1403	Transfer Out to General Fund
1430	Transfer Out to Oregon Corrections Enterprises
1456	Transfer Out – Indirect Cost Center
1801	Transfer Out to Department of Administrative Services
1803	Transfer Out to Office of the Governor
1804	Transfer Out to Oregon Business Development Department (Business Oregon)
1805	Transfer Out to Oregon Government Ethics Commission
1807	Transfer Out to Oregon Advocacy Commissions Office
1809	Transfer Out to Department of Justice
1810	Transfer Out to Department of State Lands
1811	Transfer Out to Department of Revenue
1812	Transfer Out to Legislative Administration Committee
1813	Transfer Out to Secretary of State
1814	Transfer Out to Oregon State Treasury
1816	Transfer Out to Legislative Counsel Committee
1817	Transfer Out to Legislative Fiscal Office
1818	Transfer Out to Judicial Department
1819	Transfer Out to Military Department

1820 Transfer Out to Marine Board

1822 Transfer Out to State Police

1823 Transfer Out to Department of Public Safety Standards and Training

1824 Transfer Out to Department of Veterans' Affairs

1825 Transfer Out to Department of Corrections

1827 Transfer Out to Department of Energy

1829 Transfer Out to Department of Environmental Quality

1830 Transfer Out to Legislative Revenue Office

1841 Transfer Out to Commission on Children and Families

1843 Transfer Out to Oregon Health Authority

1844 Transfer Out to Department of Consumer and Business Services

1845 Transfer Out to Office of Private Health Partnerships

1846 Transfer Out to Oregon Public Employees Retirement System

1848 Transfer Out to Employment Department

1850 Transfer Out to Oregon State Library

1854 Transfer Out to Department of Education

1856 Transfer Out to Chief Education Office

1857 Transfer Out to Higher Education Coordinating Commission

1858 Transfer Out to Department of Agriculture

1862 Transfer Out to Oregon Forest Resources Institute

1863 Transfer Out to Department of Forestry

1864 Transfer Out to Department of Geology and Mineral Industries

1865 Transfer Out to Department of Fish and Wildlife

1866 Transfer Out to Department of Land Conservation and Development

1867 Transfer Out to Water Resources

1868 Transfer Out to Parks and Recreation

1869 Transfer Out to Department of Transportation

1870 Transfer Out to Oregon Liquor Control Commission

1871 Transfer Out to Citizen Initiative Review

1872 Transfer Out to Travel Information Council

1876 Transfer Out to Department of Aviation

1879 Transfer Out to Health Related Licensing Boards

1880 Transfer Out to Bureau of Labor and Industries

1881 Transfer Out to Public Utilities Commission

1882 Transfer Out to Oregon Racing Commission

1883 Transfer Out to Board of Nursing

1884 Transfer Out to Housing and Community Services

1885 Transfer Out to Construction Contractors Board

1886 Transfer Out to Oregon Affordable Housing Assistance Corporation (OAHAC)

1889 Transfer Out to Real Estate Agency

1895 Transfer Out to Board of Pharmacy

1896 Transfer Out to Oregon Youth Authority

1898 Transfer Out to Oregon Health Licensing Agency

1901 Transfer Out to Board of Tax Practitioners

1902 Transfer Out to Board of Accountancy

1903 Transfer Out to State Board of Psychologists Examiners

1904 Transfer Out to Criminal Justice Commission

1905 Transfer Out to Land Use Board of Appeals

1906 Transfer Out to Watershed Enhancement Board

1907 Transfer Out to Board of Licensed Professional Counselors and Therapists

1908 Transfer Out to Board of Clinical Social Workers

1909 Transfer Out to Teacher Standards and Practices Commission

1910 Transfer Out to Agency 999 (State General Fund)

1911 Transfer Out to Department of Human Services

1912 Transfer Out to Office of Public Defense Services

1913 Transfer Out to Board of Dentistry

1914 Transfer Out to Tourism Commission

1915 Transfer Out to Long Term Care Ombudsmen

2310	Loss on Bond Calls – Disbursements	Other Debt Service – Expenses associated with servicing debt other than principal or interest.
2311	Loss on COP Calls – Disbursements	Other Debt Service – Expenses associated with servicing debt other than principal or interest.
2315	Loss on Bond Call – Capitalization Write Off	Other Debt Service – Expenses associated with servicing debt other than principal or interest.
2316	Loss on COP Call – Capitalization Write Off	Other Debt Service – Expenses associated with servicing debt other than principal or interest.
2330	Gain (Loss) on Disposition of Assets	The difference between the selling price received for an asset and its net book value. Reflected as “Other Revenue” in the governmental fund financial statements.
2340	Gain (Loss) on Sale of Investments	Investment Income – Proceeds from interest earned on cash, investments and loans, and income from changes in fair value of investments.
2341	Increase/(Decrease) in Income from Sale of Investments – Fair Value	Investment Income – Proceeds from interest earned on cash, investments and loans, and income from changes in fair value of investments.
2350	Gain (Loss) on Foreclosed Property	The difference between the selling price of a property that has been foreclosed and resold, and the book value of that property.
2400	Contributions to Permanent Funds	Contributions of principal received by permanent funds.
2450	Extraordinary Items	Transactions or other financial events that are both unusual in nature and infrequent in occurrence.
2500	Special Items	Transactions or other financial events that are within the control of management and are either unusual in nature or infrequent in occurrence.
2550	Capital Contributions	Contributions of net assets to a proprietary fund.
3111	Regular Employees	Salaries and wages paid to regular employees.
3112	Board and Commission Per Diem	Allowances paid to person serving as a member of board, committee or commission.
3113	Earnings, Piece Rate/Event	Payments to employees for work performed on a piece rate/event basis.
3114	Permanent Positions Full Time	Payments to employees in permanent position working 8 hours per day or 40 hours per week.
3115	Reimburse Training Salaries	Reimbursement for salaries of employees in training positions.
3116	Limited Duration Salaries	Payments to employees hired for special studies or projects of uncertain or limited duration which are subject to the continuation of a grant, award or legislative funding for a specific project.

3117	Permanent Positions Part Time	Payments to employees in permanent position working less than 8 hours per day or less than 40 hours per week.
3118	Legislator Salaries	Salaries paid to Legislators.
3119	Interim Employees	Salaries paid to Interim employees.
3120	Board Member Stipends	Payment made to board member for their services.
3121	Temporary Employees	Payments to employees in a temporary appointment.
3122	Session Position Excluding Legislative Aide	Salaries paid to Session positions excluding legislative aides.
3123	Session Position Legislative Aide Only	Salaries paid to Session positions-legislative aide only.
3124	Session Employee Salaries	Salaries paid to session employees.
3125	Judges Salaries	Salaries paid to Judges.
3126	Payments of Deceased Employees Wages/Leave	Wages related payments for deceased employees.
3127	Disaster/Rescue Operations	Payments for employees participating in disaster relief, research and rescue operations.
3129	Wage Related Penalty Payment/YVO etc	Payments related to wage-related penalties **such as** the Young vs. State of Oregon case.
3130	Seasonal Positions	Payments to employees in seasonal positions.
3133	Firefighting Labor	Compensation for firefighting crew.
3171	Overtime Payments	Payment to employees for work performed in excess of their regular work shift.
3172	Overtime – Double Time	Payment to employees for work performed in excess of their regular work shift at a double-time rate.
3173	On Duty – Call Back – Overtime	Overtime payment to employees called back to work outside their scheduled work shift.
3174	Overtime Training	Overtime payment- training salaries.
3176	Vehicle Allowances	Payments to employees, in addition to regular pay, to cover the cost of using a privately owned vehicle to conduct state business in lieu of mileage reimbursement.
3181	Shift Differential	Payments to employees, in addition to regular pay, for shift differential work as described in personnel rules and union agreements.
3190	All Other Differential	Payments to employees, in addition to regular pay, for differential work, other than shift, travel, or seasonal differential, as described in personnel rules and union agreements.

3191	Seasonal Differential/Lieu of Public Employ	Payment in lieu of the state “pick up” employee contributions to the Retirement System to employees in seasonal positions who have reached regular status and who are not participating members of PERS.
3192	Holiday Pay	Payment of legal holidays.
3193	Per Diem Lieu of Benefits	Per diem paid in lieu of benefits.
3194	Out of Class, Lead Work, Special Qualifications	Payment to employees for work out-of-class, lead work, or special qualifications.
3195	Longevity - Bonus – Incentive	The value of an award or bonus granted through an employee recognition program.
3196	Standby Duty Pay	Payment to employees for time on standby status, when required to be available for work outside her/his normal working hours.
3197	Diving Differential	Differential paid for divers.
3198	Penalty Pay	A penalty payment made to employees if their reporting time is changed without proper notice.
3199	Travel Differential	Special pay for traveling away from work station in lieu of pay for meal.
3210	Public Employees Retirement Contribution	Employee and employer contributions made by the employer under the retirement system to PERS.
3211	Employer Retirement Contribution to Deferred Compensation	Employer paid retirement benefit for Legislators who opt out of PERS to participate in the deferred compensation program allowed in ORS.237.650-660.
3212	Pension Bond Assessment	Payments for Pension Bond Assessment.
3214	Pension Expense – GASB 68	This comptroller object relates to the State’s pension plan as required by GASB Statement No. 68. The amount is determined by the plan and is updated annually. Only amounts provided by SARS should be recorded in this comptroller object. Contributions to the pension plan will continue to be reported in comptroller object 3210 – Public Employees Retirement Contribution.
3221	Social Security Taxes	Payments made under the Federal Social Security Act to the Social Security Administration Office specifically for wages of deceased employees.
3226	Social Security Taxes – Wages of Deceased Employee	Payments made under the Federal Social Security Act to the State Social Security Administration Office.
3231	Unemployment Compensation and Assessment	Payments to the Employment Department for unemployment claims of former employees.
3241	Workers’ Compensation Assessments	Amounts paid to Department of Consumer and Business Services for Administrative Fund assessments.
3251	Workers’ Accident Insurance	Payments to the State Accident Insurance Fund.

3252	Workers' Accident Insurance – Volunteer	Payments to the State Accident Insurance Fund -volunteers.
3260	HEM	Health Engagement Model (HEM) Employee Incentive
3261	OPEU Cash	Reimbursements to represented employees for health care insurance costs.
3262	Health Care Cash	Payments to employees when the employee opts out of PEBB medical insurance coverage.
3263	Medical, Dental, Life Insurance	Amounts provided by the State for employee medical, dental, and life insurance.
3264	Medical, Dental, Life Insurance – Agency Subsidy	Payments for insurance premiums subsidized by agency.
3271	Other Payroll Expenses	Payments, not described in other objects, by the State for the benefit of employees.
3281	Mass Transit Tax	Mass transit taxes paid on employees' earnings to mass transit districts.
3291	Employment Relations Board Assessments	Payments of assessments to the Employment Relations Board.
3800	Consultant Payroll – Professional Services	Payments for professional, technical and property services.
3805	Taxable Employee Reimbursable Expense – Payroll Other Services	Non-travel expense incurred by a Legislative Member where the expense does not meet the requirement of an accountable plan.
3810	Employee Relocation – Payroll	Employee moving expense includes transportation of household goods and personal effects, storage, travel and lodging expenses incurred en route from the old to the new residence.
3815	Laundry Services – Payroll	Payments for laundry / clean services for uniforms and work clothes.
3820	Uniforms – Payroll	Work clothes and shoes, uniform allowances, protective clothing, etc.
3830	Client Payments	Other care of residents and patients.
3835	Elected Official Allowance	Expense Allowance for elected officials.
3836	In Leg Meals and Lodging – Payroll	Cost of meals and lodging incurred by Legislators.
3837	In Leg Ground Transportation – Payroll	Cost of private care mileage incurred by Legislators when traveling.
4001	Annuity and Disability Benefits	Distribution to Individuals.
4002	Death Benefits	Distribution to Individuals.

4030	PERS Benefit Equalization	Agency payments to PERS for administrative fees/charges related to the Benefit Equalization Fund (BEF) payments to retirees.
4040	Appropriation Bond Costs	Other Debt Service – Expenses associated with servicing debt other than principal or interest.
4045	TAN Costs	Other Debt Service – Expenses associated with servicing debt other than principal or interest.
4050	Bond Costs	Other Debt Service – Expenses associated with servicing debt other than principal or interest.
4051	Bond Refunding Debt Payment – Escrow – Agency Cash	Refunded Debt Payment to Escrow Agent – Payment to escrow agent of the amounts needed to defease bonds or other debt.
4055	Certificate of Participation Costs	Other Debt Service – Expenses associated with servicing debt other than principal or interest.
4056	COP Refunding Debt Payment – Escrow Agent Not From Proceeds	Refunded Debt Payment to Escrow Agent – Payment to escrow agent of the amounts needed to defease bonds or other debt.
4061	Merchandise for Resale	Cost of Goods Sold – Cost of inventories sold in proprietary fund operations.
4062	Other Cost of Goods Sold	Cost of Goods Sold – Cost of inventories sold in proprietary fund operations.
4063	Liquor Cost of Goods Sold	Cost of Goods Sold – Cost of inventories sold in proprietary fund operations.
4101	Instate Meals with Overnight Stay	Cost of meals incurred while traveling within the State of Oregon, with overnight stay.
4103	Instate Mileage Reimbursement	Reimbursement for the cost of private mileage incurred on or before December 31, 2011, when traveling within the State of Oregon.
4104	Instate Travel Miscellaneous Expenses	Cost of traveling within the State of Oregon, other than meals, lodging, air transportation, and ground transportation.
4105	Instate Meals – No Overnight Stay	Cost of meals incurred while traveling within the State of Oregon, no overnight stay.
4106	Instate Lodging	Cost of lodging, including tax, incurred while traveling within the State of Oregon.
4107	Instate Air Transportation	Cost of airline tickets, aircrafts rentals and chartered flights, incurred while traveling within the State of Oregon.
4108	Instate Ground Transportation	Cost of motor pool cars, buses, taxis, shuttles, car rentals, parking, tolls, trains, and water transportation, incurred while traveling within the State of Oregon.
4109	Instate Mileage Reimbursement – Full Rate	Reimbursement for the cost of private mileage incurred by an employee when traveling within the State of Oregon.

4110	Instate Mileage Reimbursement – Reduced Rate	Reimbursement for the cost of private mileage incurred by an employee when traveling within the State of Oregon
4111	Instate Mileage Reimbursement - Volunteers	Reimbursement for the cost of private mileage incurred by a volunteer (even if they received a stipend), including board and commission members, when traveling within the State of Oregon
4112	Instate Mileage Reimbursement - Nonemployee	Reimbursement for the cost of private mileage incurred by an advisor, consultant, client or other nonemployee (other than volunteers) when traveling within the State of Oregon
4149	Out of State Meals – No Overnight Stay	Cost of meals, including tax, incurred when traveling to a destination in any state outside of Oregon, no overnight stay.
4150	Out of State Lodging	Cost of lodging, including tax, incurred when traveling to a destination in any state outside of Oregon.
4151	Out of State Meals with Overnight Stay	Cost of meals including tax incurred when traveling to a destination in any state outside of Oregon, with overnight stay.
4153	Out of State Mileage Reimbursement	Reimbursement for the cost of private mileage incurred on or before December 31, 2011, when traveling in any state outside of Oregon.
4154	Out of State Travel Miscellaneous Expense	Cost of traveling in any state outside of Oregon, other than meals, lodging, air transportation, and ground transportation.
4155	Foreign Meals and Lodging	Cost of meals and lodging, including tax on both, when traveling to a destination outside the United States.
4156	Foreign Travel Mileage Reimbursement	Reimbursement for the cost of private mileage incurred when traveling to a destination outside the United States.
4157	Foreign Ground Transportation	Cost of motor pool cars, buses, taxis, shuttles, car rentals, parking, tolls, trains, and water transportation, incurred when traveling to a destination outside the United States.
4158	Foreign Travel Miscellaneous Expense	Cost of traveling to a destination outside the United States, other than meals, lodging, air transportation, and ground transportation. Includes cost of registration fees other than training for state employees.
4159	Out of State Air Transportation	Cost of airline tickets, aircrafts rentals, and chartered flights, incurred when traveling to a destination in any state outside of Oregon.
4160	Out of State Ground Transportation	Cost of motor pool cars, buses, taxis, shuttles, car rentals, parking, tolls, trains, and water transportation, incurred when traveling to a destination in any state outside of Oregon.
4161	Foreign Air Transportation	Cost of airline tickets, aircrafts rentals, and chartered flights, incurred when traveling to a destination outside the United States.
4162	Out-Of-State Mileage Reimbursement – Full Rate	Reimbursement for the cost of private mileage incurred by an employee when traveling in any state outside of Oregon.

4163	Out-Of-State Mileage Reimbursement – Reduced Rate	Reimbursement for the cost of private mileage incurred by an employee when traveling in any state outside of Oregon.
4164	Out-Of-State Mileage Reimbursement - Volunteers	Reimbursement for the cost of private mileage incurred by a volunteer (even if they received a stipend), including board and commission members, when traveling in any state outside of Oregon
4165	Out-Of-State Mileage Reimbursement - Nonemployee	Reimbursement for the cost of private mileage incurred by an advisor, consultant, client or other nonemployee (other than volunteers) when traveling in any state outside of Oregon
4200	Office Supplies	Supplies, postage, forms, stationery, office reproduction supplies, and other miscellaneous office supplies. Does not include subscriptions, publications, and books.
4201	Office Services	Services related to office activities, such as Copy Center, outgoing shipments, and postal pre-sort services, shredding confidential material, recording liens and garnishments, repair of non-technical office equipment such as desks and chairs, and collection costs.
4202	Equipment Rental	Rental of equipment including office, field and vehicles.
4206	Catering Services	Services related to the costs of food delivered from external parties for agency use such as, staff or board meetings and retreats.
4250	Dues and Memberships	Charges for Dues and Memberships. Not related to specific training events.
4251	Subscriptions and Publications	Subscriptions that are used as reference material in the normal course of business, such as cost of books, magazines, periodicals, leaflets, pamphlets. etc.
4253	Advertising, Publicity, Publishing, and Printing Services	Charges related to Advertising, publicity-related services and supplies such as rope, ribbon, and refreshments for ground-breaking and reception events, printing and film developing, book binding, blueprints; publishing; printing services, etc.
4255	Prizes and Awards	Payments for prizes and awards including fair premiums.
4301	Telecom/Voice Usage	Record charges for basic telephone services for land and wireless phones, cell phones and pagers.
4302	Telecom/Voice Equipment Rental	Record charges for rental of voice equipment both wired and wireless.
4303	Telecom/Voice Maintenance	Record charges for equipment installation, maintenance and repair service for voice equipment whether wireless or wired.
4304	Telecom/Voice Equipment < $5k	Record charges for purchase of voice equipment both wired and wireless.
4305	Telecom/Network Services	Record charges for data transport including network (WAN and LAN) charges and network connections. Include both wireless and wired lines.

4306	Telecom/Network Equipment < $5k	Record charges for purchase of network (WAN and LAN) equipment. Include both wireless and wired equipment.
4307	Telecom/Network Support	Record charges for services to support the network (wired and wireless) including installation, maintenance and repair of equipment.
4310	Telecom/Wireless Public Safety Usage	Record charges for use of public safety wireless communications which uses radio or microwave transmission. Primary use is by State Police, ODOT, OEM, and Forestry.
4311	Telecom/Wireless PS Equipment < $5k	Record charges for purchase of equipment for public safety wireless network including: Equipment for line of site communications, microwave towers.
4312	Telecom/Wireless PS Support	Record charges for services for installation, support or repair of Public Safety wireless communication network.
4315	Telecom/Teleconference Usage	Record charges for audio and video teleconference services.
4316	Telecom/Teleconference Equipment < $5k	Record charges for teleconferencing equipment.
4317	Telecom/Teleconference Support	Record charges for installation, repair or maintenance of teleconferencing equipment.
4354	Computer Technology Mainframe Equip < $5k	Record charges for purchase of mainframe computers and equipment. Mainframe computers include mini and midi computers and all other “boxes” not used as a networked servers or PCs.
4355	Computer Technology Mainframe Equip Rental	Record charges for rental of mainframe computers and equipment. Mainframe computers include mini and midi computers and all other “boxes” not used as a networked servers or PCs.
4356	Computer Technology Mainframe Software < $5k	Record charges for mainframe software and licenses.
4357	Computer Technology Mainframe Support	Record charges for installation, maintenance and repairs to mainframe tangible devices and for mainframe software support.
4360	Computer Technology Server Equip < $5k	Record charges for server – tangible device or hardware. Include all devices whose primary use is a server other than a network WAN or LAN server. Include wireless and wired equipment.
4361	Computer Technology Server Software < $5k	Record charges for purchase of software and licenses used to operate non network (WAN or LAN) servers.
4362	Computer Technology Server Support	Record charges for installation, maintenance and repairs to the non network (WAN or LAN) server.
4365	Computer Technology PC Equipment < $5k	Record charges for purchase of Personal Computers, laptops, and parts when the unit price is under $5,000.

4366	Computer Technology PC Software < $5k	Record charges for software and software licenses for desktop applications and PC operating systems.
4367	Computer Technology PC Support	Record charges for installation, maintenance agreements and repair services for PC.
4370	Computer Technology Peripheral Equip Rental	Record charges for the rental of peripherals including printers, plotters, scanners, non-mainframe storage devices, UPS (universal power supplies).
4371	Computer Technology Peripheral Support	Record charges for installation, maintenance or repair services for printers and peripherals.
4372	Computer Technology Peripheral Equip < $5k	Record charges for the purchase of peripherals including printers, plotters, scanners, non-mainframe storage devices and UPS (universal power supplies).
4375	Computer Technology Computer Processing	Record charges for computer use. Service fees for computing, e.g. DAS computing charges for database use or data mart use.
4401	Training, Education, or Instruction Services	Cost of training, education or instruction provided by professional services and/or consultants to State employees.
4402	Interagency Training, Education, or Instruction Services	Costs of training provided by one State agency to another.
4404	Professional Development In House Training	Intra-agency training costs. Costs associated with an agency employee training other employees within the same agency. Related travel is coded to the appropriate travel codes; refreshments are charged to the appropriate meals and lodging codes.
4406	Professional Development Instate Tuition and Registration	Cost of any tuition or registration fees paid to obtain training within the State of Oregon.
4409	Professional Development Instate Mileage Reimbursement	Reimbursement for the cost of private mileage incurred on or before December 31, 2011, by State employees related to training within the State of Oregon.
4410	Professional Development Instate Travel Miscellaneous Expense	Cost of traveling within the State of Oregon, other than meals, lodging, air transportation, and ground transportation, related to training within the State of Oregon.
4411	Professional Development Out of State Tuition and Registration	Cost of tuition or registration fees paid to obtain training in any state outside of Oregon.
4414	Professional Development Out of State Mileage Reimbursement	Reimbursement for the cost of private mileage incurred on or before December 31, 2011, by State employees related to training in any state outside of Oregon.
4415	Professional Development Out of State Travel Miscellaneous Expenses	Cost of traveling in any state outside of Oregon, other than meals, lodging, air transportation, and ground transportation, related to training in any state outside of Oregon.
4416	Professional Development Foreign Meals and Lodging	Cost of meals and lodging, including tax on both, incurred by State employees related to receiving any training in a foreign country.

4418	Professional Development Foreign Ground Transportation	Cost of ground transportation, car rental, bus, train, taxi, shuttle, water transportation, tolls and parking costs, incurred by State employees related to receiving any training in a foreign country.
4419	Professional Development Foreign Tuition and Registration	Cost of tuition or registration fees paid to obtain training in a foreign country.
4420	Professional Development Foreign Travel Miscellaneous Expenses	Cost of traveling in a foreign country, other than meals, lodging, air transportation, and ground transportation, incurred by State employees related to receiving any training in a foreign country.
4421	Professional Development Foreign Mileage Reimbursement	Reimbursement for the cost of private car mileage or private aircraft mileage incurred by State employees related to receiving any training in a foreign country.
4422	Employee Recruitment Meals	Cost of meals incurred by an applicant for State employment.
4426	Professional Development Training Materials	Cost of training materials.
4428	Training Supplies	Cost of training supplies.
4429	Training Equipment < $5K	Cost of equipment primarily used in training, whose value is less than $5,000.
4430	Employee Recruitment, Wellness and Safety	Cost of recruitment services and supplies related to safety and wellness, and other miscellaneous costs related to recruitment.
4431	Professional Development Instate Meals With Overnight Stay	Cost of meals incurred by State employees related to receiving training within the State of Oregon, with overnight stay.
4432	Professional Development Out of State Meals With Overnight Stay	Cost of meals incurred by State employees related to receiving training in any state outside of Oregon, with overnight stay.
4433	Professional Development Instate Lodging	Cost of lodging, including tax, incurred by State employees related to receiving training within the State of Oregon.
4434	Professional Development Out of State Lodging	Cost of lodging, including tax, incurred by State employees related to receiving any training in state outside of Oregon.
4435	Professional Development Instate Meals, No Overnight Stay	Cost of meals incurred by State employees related to receiving training within the State of Oregon, no overnight stay.
4436	Professional Development Out of State Meals, No Overnight Stay	Cost of meals, including tax, incurred by State employees related to receiving training in any state outside of Oregon, no overnight stay.
4437	Professional Development Dues and Memberships	Dues and membership paid in conjunction with receiving training or job related information.

4438	Professional Development Instate Air Transportation	Cost of airline tickets, aircrafts rentals, and chartered flights, incurred by State employees related to receiving training within the State of Oregon.
4439	Professional Development Instate Ground Transportation	Cost of ground transportation, car rental, bus, train, taxi, shuttle, water transportation, tolls and parking costs, incurred by State employees related to receiving training within the State of Oregon
4440	Professional Development Out of State Air Transportation	Cost of airline tickets, aircrafts rentals, and chartered flights, incurred by State employees related to training other State employees, or receiving any training in any state outside of Oregon.
4441	Professional Development Out of State Ground Transportation	Cost of ground transportation, car rental, bus, train, taxi, shuttle, water transportation, tolls and parking costs, incurred by State employees related to receiving training in any state outside of Oregon
4442	Professional Development Foreign Air Transportation	Cost of airline tickets, aircrafts rentals, and chartered flights, incurred by State employees related to receiving training in a foreign country.
4443	Employee Recruitment Lodging	Cost of lodging incurred by an applicant for State employment paid for by the state.
4444	Employee Recruitment Air Transportation	Cost of airline tickets, aircraft rentals, and chartered flights, incurred by an applicant for State employment paid for by the state.
4445	Employee Recruitment Ground Transportation	Cost of car rental, bus, taxi, shuttle, tolls, parking, train and water transportation, incurred by an applicant for State employment paid for by the state.
4446	Employee Recruitment Travel Reimbursement	Reimbursement for travel expenses incurred by an applicant for State employment.
4447	Employee Recruitment Mileage Reimbursement	Reimbursement for private car mileage incurred by an applicant for State employment.
4450	Professional Development Instate Mileage Reimbursement – Full Rate	Reimbursement for the cost of private mileage incurred by State employees related to training within the State of Oregon.
4451	Professional Development Instate Mileage Reimbursement – Reduced Rate	Reimbursement for the cost of private mileage incurred by State employees related to training within the State of Oregon.
4452	Professional Development Out-Of-State Mileage Reimbursement – Full Rate	Reimbursement for the cost of private mileage incurred by State employees related to training in any state outside of Oregon.
4453	Professional Development Out-Of-State Mileage Reimbursement – Reduced Rate	Reimbursement for the cost of private mileage incurred by State employees related to training in any state outside of Oregon.

4500	Professional Services Non-IT < $75K	Charges for professional services provided, not related to Information Technology. Includes outside services such as Financial Services, External Legal Services, Investment Services, etc., which costs $75,000 or less.
4505	Professional Services Non-IT > $75K	Charges for professional services provided, not related to Information Technology. Includes outside services such as Financial Services, External Legal Services, Investment Services, etc., which costs more than $75,000.
4510	Professional Services/Network	Charges for personal services contracts for development of a network including analyzing, designing, implementing a WAN or LAN network.
4511	Professional Services/Wireless Public Safety	Charges for consultants for analyzing, designing, implementing or supporting the wireless network used for public safety. Primary users are ODOT, OEM, Forestry, and Oregon State Police.
4512	Professional Services/Teleconference	Charges for consultants for development and support of teleconferencing.
4513	Professional Services/Application New	Applications are programs running on software designed to allow the end user to perform a particular task or to provide direct business support to users.
4514	Professional Services/Application Modifications	Charges for modifications to an existing application done primarily to add new functionality. Applications are programs running on software designed to allow the end user to perform a particular task or to provide direct business support to users.
4515	Professional Services/Application Maintenance	Charges for maintenance or repair of existing applications when primary purpose is to continue existing operation of application rather than add significant new user functionality.
4516	Professional Services/Servers	Charges for consultants for Web-servers, database servers, and storage servers and other servers not used for WAN or LAN servers.
4517	Professional Services/IT Security	Charges for IT security. Consultants working on IT security projects. Contractors performing vulnerability assessments, risk assessments, services to mitigate risks, planning and other security tasks.
4518	Professional Services/IT Quality Assurance	Charges for contract payments to vendors for quality assurance services for IT projects.
4519	Professional Services/Managed Service Provider	Charges incurred under Managed Service Provider contracts.
4520	Professional Services/IT Quality Control	Payments for professional services / IT quality control.
4526	Dispute Resolution Services	Payments for professional services for dispute resolution.
4550	Attorney General Legal Fees	Cost of legal services provided by the State Attorney General’s Office.

4600	State Government Service Charges	Charges and assessments for central and other governmental operations, such as restoration and tort insurance, fidelity bonds, DAS property management, capitol grounds maintenance, Capitol Planning Commission, DAS Purchasing, DAS Surplus Property, DAS Communications overhead, Central Mail, Shuttle bus, DAS payroll preparation, DAS Personnel Division assessments, State Treasurer charges, Audits Division assessments, and DAS capital assessment.
4625	ARRA Central Service Charges	To record .5% ARRA statewide administrative costs.
4650	Intra/Inter Agency Charges	Established for agencies to distribute costs within their agency or between agencies.
4675	Delinquent Claims Interest	Interest paid on delinquent claims.
4680	Loss Liability Expenditure	Loss or expense incurred for liabilities due to accidents, litigation, or other pending or potential "claims".
4685	Liability Expenditure – Attorney Settlement	Payments to attorneys for insurance claim settlements. 1099 reportable.
4690	Pollution Remediation Expense	The amount required to adjust pollution remediation liabilities at fiscal year-end in the government-wide reporting fund and proprietary funds, using the latest available information, to reflect the estimated remaining outlays required to complete the projects. This comp object should not be used to record the actual expenditures incurred throughout the year.
4701	Other Services	Cost of services not described in other objects.
4703	Uniforms	Cost of uniforms provided to employees.
4704	Other Supplies	Cost of supplies not described in other objects.
4705	Laundry Services	Cost of laundry and linen services for State operated facilities.
4720	Collection Fees – DOR	Amounts paid to Department of Revenue for the cost of collecting accounts receivable.
4725	Collection Fees – Private Collection Agent	Amounts paid to private collection agents for the cost of collecting accounts receivable.
4730	Merchant Fees	Fees paid by agencies to financial institutions which are generally a small percentage of each credit card transaction when accepting credit card payments.
4735	Credit Card Surcharges	An additional fee that a vendor may add to the bill when an agency uses a credit card to pay for goods or services; also known as a checkout fee.
4740	Investment Expense	Securities lending and investment management fees.
4800	Facilities Rent	Rent, contract, and lease payments for office, warehousing and other space, including land.

4801	Facilities Taxes	Taxes paid on State operated facilities.
4825	Fuels and Utilities	Cost of fuel and utilities for facilities, such as heat, gas, light, power, water, sewer, garbage, and steam.
4850	Facilities Maintenance	Cost of maintaining buildings and grounds, including landscaping services, janitorial services/equipment, wiring, plumbing, carpentry, painting, re-carpeting, etc.
4851	Facilities Supplies	Costs associated with the purchase of supplies used in connection with the repairs and maintenance of facilities.
4875	Food and Kitchen Supplies	Cost of food and kitchen supplies needed, such as perishable groceries and related supplies, food and kitchen supplies purchased as part of client/residing programs.
4900	Medical Supplies	Medicines, drugs, medication cups, gloves and other medical-related supplies.
4901	Medical Services	Personal Services Contract payments for provision of medical services such as physical therapists, lab tests and consultation, other medical consultation, and program reviews which are health-care related.
4902	Medical Rentals	Rental of medical equipment.
4950	Other Care of Residents/Patients – Service	Cost of services provided on site review inspectors, non-medical temporary employees, resident/patient education, and recreation.
4951	Other Care of Resident/Patient – Supplies	Cost of supplies associated with other care of residents/patients.
4952	Transitional Housing	Transitional housing when an inmate is first released.
4975	Agency Program Related Services	Cost of services related to carrying out agency programs. Program-related vocational and other instructional services for patients and clients participating in programs.
4976	Agency Program Related Supplies	Cost of supplies related to carrying out agency programs.
4977	Agency Program Related Reimbursement	Non-reportable (for 1099 purposes) reimbursements incurred in carrying out agency programs. (Example: Board member/volunteer travel reimbursements.)
4999	Expendable Property Non-IT < $5k	Non-IT Property which is consumed in the normal course of agency operations and costs less than $5,000.
5100	Office Furniture and Fixtures > $5K	Cost of office furniture and fixtures which are not consumed in the normal course of agency operations, can normally be used more than once, have a useful life of more than two years and whose cost is more than $5,000.
5105	Installation of Furniture and Fixtures > $5K	Cost of installation of office furniture and fixtures which are not consumed in the normal course of agency operations, can normally be used more than once, have a useful life of more than two years and whose cost is more than $5,000.

5120	Works of Art and Historical Treasures > $5K	Works of art and historical artifacts, held as individual or in a collection, that are considered inexhaustible, their economic benefit or service potential is used up so slowly that their estimated useful lives are extraordinarily long, which value is more than $5,000. Includes statues, paintings, sculptures, and historical documents or artifacts. Do not depreciate these items.
5125	Installation of Art and Historical Treasures > $5K	Installation cost of works of art and historical treasures whose cost is more than $5,000.
5150	Equipment and Machinery > $5K	Tangible property of permanent nature, other than land, buildings, land/building improvements, used in agency operations, whose cost is more than $5,000. Includes Machinery, tools and equipment.
5155	Installation of Equipment and Machinery > $5K	Installation cost of tangible property of permanent nature, other than land, buildings, land/building improvements, used in agency operations, which value is $5,000 or more.
5170	Motor Vehicles > $5K	Includes cars, vans, trucks, or other motorized vehicles used in agency operations, whose cost is more than $5,000.
5175	Assembly/Motor Vehicles > $5K	Assembly cost of cars, vans, trucks, or other motorized vehicles used in agency operations, whose cost is more than $5,000.
5200	Telecom/Voice Equipment > $5K	Charges for purchase of voice equipment and charges related to its acquisition.
5201	Telecom/Network Equipment > $5K	Charges for purchase of network (WAN and LAN) equipment. Includes certain capital rent and lease agreements. Includes both wireless and lines whose cost is more than $5,000.
5202	Telecom/Wireless PS Equip > $5K	Charges for purchase of Public Safety wireless equipment and charges related to its acquisition whose cost is more than $5,000. This category is typically used by ODOT, OSP, OEM, Forestry and other agencies relying on the wireless relay.
5203	Telecom/Teleconference Equip > $5K	Charges for purchase and acquisition of audio and video teleconferencing equipment and charges whose cost is more than $5,000.
5205	Telecom/Installation Services > $5K	Charges for services related to telecom installations whose cost is more than $5,000.
5250	Technical Equipment > $5K	Cost of Technical equipment, other than telecommunications and data processing equipment, which is not consumed in the normal course of agency operations, can normally be used more than once, has a useful life of more than two years and whose cost is more than $5,000.
5255	Installation/Technical Equipment > $5K	Cost of Installation of technical equipment, other than telecommunications and data processing equipment, which is not consumed in the normal course of agency operations, can normally be used more than once, has a useful life of more than two years and whose cost is more than $5,000.

5300	Information Technology Network Software > $5K	Charges for network (WAN and LAN) software licenses. Includes both wireless and line.
5301	Information Technology Mainframe Software > $5K	Charges for mainframe software license whose cost is more than $5,000.
5302	Information Technology Server Software > $5K	Charges for purchase of "non-network" server software and licenses.
5303	Information Technology PC Software > $5K	Charges for PC software and licenses.
5305	Information Technology Software Services	Charges related to IT software services.
5350	Computer Technology Mainframe Equip > $5K	Charges for purchase of mainframe computer devices and equipment. Mainframe computers include mini and midi computers and all other "boxes" not used as a server and not a PC.
5351	Computer Technology Server Equip > $5K	Charges for purchase of non network servers. Includes those used to support both wireless and line equipment whose cost is more than $5,000.
5352	Computer Technology Peripheral Equip > $5K	Charges for printers, plotters, and peripherals including scanners, printer combination machines when primary purpose is IT related.
5355	Computer Technology Installation Service > $5K	Installation cost for IT equipment if invoiced or provided separately from purchase cost whose cost is more than $5,000.
5400	Household and Institutional Equipment > $5K	State-operated facility household items not consumed in the normal course of agency operations, can normally be used more than once, have useful life of more than two years, and whose cost is more than $5,000. Payment of principal on lease/purchase contracts. Do not include IT or telecommunications equipment in this object.
5405	Installation of Household and Institutional Equipment > $5K	Installation of State-operated facility household items not consumed in the normal course of agency operations, can normally be used more than once, have useful life of more than two years, and whose cost is more than $5,000. Do not include IT or telecommunications equipment in this object.
5450	Industrial and Heavy Equipment > $5K	Industrial and heavy equipment not consumed in the normal course of agency operations, can normally be used more than once, have useful life of more than two years, and whose cost is more than $5,000. Includes snow plows, road graders, machine-shop lathes, drill presses, etc. Payment on principal on lease/purchase contracts. Do not include IT or telecommunications equipment in this object.
5455	Installation of Industrial and Heavy Equipment > $5K	Cost of Installation of Industrial and heavy equipment not consumed in the normal course of agency operations, can normally be used more than once, have useful life of more than two years, and whose value is $5,000 or more. Do not include IT or telecommunications equipment in this object.

5500	Aircraft > $5K	Aircraft vehicles that are not consumed in the normal course of agency operations, can normally be used more than once, have useful life of more than two years, and whose value is $5,000 or more. Payment on principal on lease/purchase contracts.
5505	Assembly/Aircraft > $5K	Assembly of aircraft vehicles that are not consumed in the normal course of agency operations, can normally be used more than once, have useful life of more than two years, and whose value is $5,000 or more.
5600	Agricultural Equipment and Machinery > $5K	Agricultural equipment and machinery not consumed in the normal course of agency operations, can normally be used more than once, have useful life of more than two years, and whose cost is more than $5,000. Payment on principal on lease/purchase contracts.
5605	Installation of Agricultural Equipment and Machinery > $5K	Installation of agricultural equipment and machinery not consumed in the normal course of agency operations, can normally be used more than once, have useful life of more than two years, and whose cost is more than $5,000.
5705	Land Improvements > $5K	Permanent improvements, other than buildings, which add value to land such as fences, retaining walls, sidewalks, pavement, etc., whose cost is more than $5,000. Please refer to OAM 15.60.10
5725	Land Use Rights > $5K	Cost of obtaining Land use rights. Includes easement, explore or exploit natural resources, such as timber, mineral, and water rights.
5730	Land > $5K	Purchase price and cost of acquiring land such as legal fees, filling and excavation costs, and the like which are incurred to put the land in condition for its intended use.
5755	Leasehold Improvements > $5K	Cost of permanent additions or improvements made to a leased asset that reverts to the owner of the property upon termination of the lease, whose value is $5,000 or more.
5770	Capital Leased Property > $5K	Minimum lease payment is $5,000 or more; ownership of the leased property is transferred to the agency at the end of the lease; lease contains a bargain purchase option; or lease terms are 75% or more of the property’s useful life. See OAM 15.60.30 on Capital Leases.
5775	Installation/Capital Leased Property > $5K	Installation cost of capital leased property whose cost is more than $5,000.
5805	Buildings and Improvements > $5K	Permanent structures and improvements to structures used to house people or property. Includes the cost of fixtures attached to and forming a permanent part of a building, cost of demolishing existing buildings for the construction of the new building on land owned by the agency, whose cost is more than $5,000.
5905	Other Capital Outlay > $5K	Capital outlay costs not described in other objects.
5915	Other Intangible Assets > $5K	Cost of acquiring other intangible assets.

5925	State Highways > $5K	Includes construction of the highway roads maintained by an agency, associated lighting, signage, traffic control devices, pipes, drainage system, retaining walls, etc., whose cost is more than $5,000. Please refer to OAM 15.60.10
5935	Other Roads > $5K	Includes construction of the road not associated with state highways, maintained by an agency, associated lighting, signage, traffic control, etc. whose cost is more than $5,000. Please refer to OAM 15.60.10.
5945	Tunnels and Bridges > $5K	Includes tunnels, bridges, trestles, and other similar items needed for the construction of roadway systems, whose cost is more than $5,000.
5955	Airports > $5K	Includes elements such as air traffic control structures, hangers, taxiways, runways, fueling stations, outbuildings, helicopter landing pads, and lighting, whose cost is more than $5,000.
5965	Utility Systems > $5K	Systems designed to deliver facility services including sanitary sewer collection systems, fiber optics systems, water distribution systems, electrical distribution systems, and vehicle fuel distribution systems, whose cost is more than $5,000.
5975	Docks, Dikes, and Dams > $5K	Includes docks, piers, dikes, levies, seawalls, dams, and structures associated with dams, wharves and other similar items, whose cost is more than $5,000.

Description applies to Comptroller Objects listed below: Special Payments to State Agencies – Distributions to other state agencies that will be reported as interagency transfers in the GAAP financial statements but are budgeted as expenditures.

6081 Distribution to Board of Dentistry

6082 Distribution to Department of Human Services

6084 Distribution to Oregon Watershed Enhancement Board

6085 Distribution to Land Use Board of Appeals

6086 Distribution to Criminal Justice Commission

6087 Distribution to State Board of Psychologists Examiners

6088 Distribution to Board of Accountancy

6089 Distribution to Board of Tax Practitioners

6094 Distribution to Marine Board

6095 Distribution to Board of Chiropractic Examiners

6096 Distribution to Oregon Youth Authority

6097 Distribution to Office of Private Health Partnerships

6098	Distribution to Office of the Governor
6105	Distribution to Oregon State Library
6110	Distribution to Public Defense Services
6122	Distribution to Department of Administrative Services
6123	Distribution to Long Term Care Ombudsman
6124	Distribution to Oregon Business Development Department (Business Oregon)
6125	Distribution to Oregon Advocacy Commissions Office
6126	Distribution to Department of Justice
6127	Distribution to Department of State Lands
6128	Distribution to Department of Revenue
6129	Distribution to Oregon State Treasury
6130	Distribution to Legislative Administration Committee
6131	Distribution to Secretary of State
6132	Distribution to Judicial Department
6133	Distribution to Military Department
6135	Distribution to State Board of Parole & Post Prison Supervision
6136	Distribution to Department of State Police
6137	Distribution to Department of Public Safety Standards and Training
6138	Distribution to Department of Veterans' Affairs
6139	Distribution to Department of Corrections
6142	Distribution to Department of Energy
6144	Distribution to Department of Environmental Quality
6151	Distribution to Psychiatric Security Review Board
6155	Distribution to Board of Pharmacy
6157	Distribution to Oregon Health Authority
6158	Distribution to Commission on Children and Families
6161	Distribution to Department of Consumer and Business Services
6162	Distribution to Public Employees Retirement System
6164	Distribution to Employment Department

6170 Distribution to Department of Education

6172 Distribution to Teacher Standards and Practices Commission

6173 Distribution to Commission for the Blind

6175 Distribution to Department of Agriculture

6177 Distribution to Department of Forestry

6178 Distribution to Department of Geology and Mineral Industries

6179 Distribution to Oregon Department of Fish and Wildlife

6180 Distribution to Department of Land Conservation and Development

6181 Distribution to Water Resources

6182 Distribution to Parks and Recreation

6183 Distribution to Department of Transportation

6188 Distribution to Department of Aviation

6190 Distribution to Health Related Licensing Boards

6191 Distribution to Bureau of Labor and Industries

6192 Distribution to Oregon Liquor Control Commission

6193 Distribution to Oregon Medical Board

6194 Distribution to Board of Nursing

6195 Distribution to Public Utilities Commission

6196 Distribution to Housing and Community Services

6197 Distribution to Construction Contractors Board

6198 Distribution to Higher Education Coordinating Commission

6200 Intra-agency General Fund/Other Fund Transfers

Description applies to Comptroller Objects listed below: Special Payments – Distributions to entities outside state government.

6093 Distribution to Oregon Health and Science University (Component Unit)

6300 Distribution to Counties

6400 Distribution to Cities

6450 Distribution to University of Oregon

6451 Distribution to Oregon State University

6452	Distribution to Portland State University
6453	Distribution to Southern Oregon University
6454	Distribution to Eastern Oregon University
6455	Distribution to Western Oregon University
6456	Distribution to Oregon Institute of Technology
6457	Distribution to Oregon Affordable Housing Assistance Corporation (OAHAC)
6500	Distribution to Community College Districts
6600	Distribution to Local School Districts
6700	Distribution to Other Governments
6725	Distribution to Non-Governments
6726	Distribution to For-Profit Subrecipient
6730	Other Distributions to Subrecipients
6735	Distribution to Non-Profit Organizations
6740	Other Distribution to Taxable Subrecipients
6800	Distribution to Individuals
6805	Client/Benefit Payments
6808	Distributions to Non-Employees
6810	Rental Assistance
6820	Payments to Counties
6821	Payments to Cities
6822	Payments to Community College Districts
6823	Payments to Local School Districts
6824	Payments to Other Governments
6826	Payments to Non-governments
6893	Payments to OHSU (Component Unit)
6900	Other Special Payments
6905	Loan Repayment on Behalf of Grant Subrecipients
6910	Distribution to Contract Service Provider

6950	Other Special Payments – Medical Services	
6727	Loans Made – Subrecipient Distribution	Payments to others that are to be repaid at a future date.
6850	Loans Made to Individuals	Payments to others that are to be repaid at a future date.
6870	Loans Made to State Agencies	Payments to others that are to be repaid at a future date.
6875	Loans Made – Other	Payments to others that are to be repaid at a future date.
6825	Loans Repaid to State Agencies	Repayments of loans received.
7050	Refunded Debt Payment – Escrow Agent – from Bond/COP Proceeds	Refunded Debt Payment to Escrow Agent – Payment to escrow agent of the amounts needed to defease bonds or other debt.
7100	Principal – Bonds	Principal payments of the face amount of Bonds.
7150	Principal – Certificates of Participation	Principal payments of the face amount of COPs
7200	Principal – Loans	Principal payments of the face amount of borrowed money, Advances or long-term loan.
7250	Interest – Bonds	Interest payments made on bonded debt.
7275	Principal – Appropriation Bonds	Principal payments of the face amount of Appropriation Bonds.
7280	Interest – Appropriation Bonds	Interest payments made on Appropriation Bonds.
7300	Interest – Certificates of Participation	Interest payments made on COPs.
7400	Interest – Loans	Interest payments made on borrowed money, Advances or long-term loan.
7405	Other Interest Expense	This comptroller object reports interest on pension-related debt and all other interest expenses not appropriately reported elsewhere.
7410	Principal – Tax Anticipation Notes	Principal payments of the face amount of Tax Anticipation Notes.
7415	Interest – Tax Anticipation Notes	Interest payments made on Tax Anticipation Notes.
7430	Amortization – Prepaid Expenses	Amortization of expenses paid and recorded in advance of its use or consumption in the business, which properly represents a portion as an expense of the current period and a portion as an asset on hand at the end of the period. Prepaid expenses includes insurance, interest, rent, etc.

7450	Amortization – Discount/Premium on Bonds	Bonds may be sold for more than par value (premium) or less than par value (discount). The original premium or discount is written off (amortized) over the period of time that the bond is outstanding. When these items are recorded in the government-wide reporting fund, the amortization is recorded in that fund. Amortization is recorded in the proprietary fund for proprietary fund obligations
7455	Amortization – Discount/Premium on Certificates of Participation	COPs may be sold for more than par value (premium) or less than par value (discount). The original premium or discount is written off (amortized) over the period of time that the COP is outstanding. When these items are recorded in the government-wide reporting fund, the amortization is recorded in that fund. Amortization is recorded in the proprietary fund for proprietary fund obligations
7456	Amortization – Discount/Premium on Tax Anticipation Notes	TANs may be sold for more than par value (premium) or less than par value (discount). The original premium or discount is amortized over the period of time that the note is outstanding in the government-wide reporting fund.
7468	Amortization of Prepaid Debt Insurance	Amortization of the initial balance for a debt issuance.
7470	Amortization Deferred Loss (Gain) on Refunding	Amortization of the difference between the carrying amount of debt defeased and the cost of the replacement debt.
7474	Amortization of Other Capital Assets	Allocation of the cost of capital assets over their useful lives.
7475	Amortization of Leasehold Improvements	Allocation of the cost of leasehold improvements over their legal lives.
7476	Depreciation Expense	Allocation of a fixed asset’s cost over its beneficial useful life. Depreciation is not recognized in governmental funds.
7477	Amortization of Leased Property	Allocation of leased property costs over its beneficial useful life, or lease term. Amortization is not recognized in governmental funds.
7478	Amortization of Software	Software licenses are amortized over a period of 2 to 5 years depending upon the expected useful life of the license.
7479	Bad Debt Expense	The expense associated with writing off loans owed to the agency that cannot be reported as a reduction of revenue because no revenue has been recorded.
7500	Increase/Decrease in Governmental Inventories Reserve	Change in Reserve for Inventories – The change between reporting periods in the amount of inventory reported in a governmental fund.
7510	Gain (Loss) on Capital Asset Impairments	Gain (Loss) on Capital Asset Impairments – An amount calculated using one of four methods that represents the portion of the historical cost that will be written off as a result of the capital asset impairment. When an insurance recovery is recognized in the same fiscal year as the impairment, the gain (loss) on capital asset impairment is reported net of the insurance recovery.

7511	Insurance Recovery Subsequent to Loss	Insurance Recovery Subsequent to Loss – (1) Insurance settlement for an insured loss related to a capital asset impairment recognized in a fiscal year subsequent to the year of the impairment; or (2) insurance settlement for an insured loss (such as theft) not related to capital asset impairment.
9000	Performance Measures	Used to record performance measures associated with accounting data.
9001	Other Statistics	Used for hours or units accumulated from the time reporting part of OSPA. Usually used on Type 9 batches (payroll statistical hours) which are generated from the OSPA and interfaced into SFMA.
9915	Indirect Cost Allocation (SSA 1984-A128/A133)	Indirect Cost/Expenditures as a Memo Entry.
9999	Default Oregon	

OREGON ACCOUNTING MANUAL

SUBJECT:	Accounting and Financial Reporting	**Number:**	65.00.00
DIVISION:	State Controller's Division	**Effective date**:	June 1, 2010
Chapter:	Glossary		

Accountability The recognition and acceptance that one is answerable for whatever happens within a particular area of activity regardless of the cause; also, the physical protection of assets, records, and computer files.

Accounting System The processes used to record transactions related to revenues, expenditures, assets and liabilities; to record or control non-capital or capital assets; and to record or produce vouchers, checks, purchase orders, and invoices. The accounting system is the process that identifies and records transactions to maintain accountability.

Accrual Basis of Accounting A method of accounting that recognizes the financial effect of transactions, events, and interfund activities when they occur regardless of the timing of the related cash flows.

Accrued Interest Earned Interest earned on bonds or COPS from the time the issue is effective to the sale date.

Activity A specific service or production performed by one or more components of a government to accomplish a function for which the government is responsible.

Activity Based Costing (ABC) A cost-accounting concept based on the premise that the products and services provided by an organization require that organization to perform activities and that those activities require the organization to incur costs. In ABC, any cost that cannot be assigned directly to a product or service is traced to the activities that make that cost necessary. The cumulative cost of each activity is then traced to those other activities, products, or services that make that activity necessary.

Adjustment A correction or modification to an account balance.

Administrative Limitation Limitation not established by the Legislature.

Adopted Budget The final budget produced by a Legislative session. The legislatively approved budget, in contrast, includes E-Board actions and other changes that occur after the end of the Legislative session.

ADPICS Advanced Purchasing and Inventory Control System, the State of Oregon's purchasing and inventory control system.

Agency Any elected or appointed state officer, board, commission, department, institution, branch, or other instrumentality of Oregon state government whose costs are paid wholly or in part from funds held in the State Treasury. Also any agency, board, commission or other governmental unit that uses OSPS to process employee payrolls.

Agency Fund A fiduciary fund type used to account for assets held by the State as an agent for other governmental units, other organizations, or individuals.

Agency Head The highest authority of any state agency, board, or commission.

Agency Number A three-digit identification number assigned by the Department of Administrative Services to state agencies.

Agent One who, under state agency authority, performs a duty or function on the agency's behalf, subject to agency direction and control. Any person or organization with legal capacity to contract could be an agent of an agency. Volunteers can be agents.

Agent Fees Amounts paid by a lender to its securities lending agent as compensation for managing its securities lending transactions.

Agent Relationships Relationships between agencies where one agency is acting as an agent on behalf of another agency.

Aging Schedule A schedule showing the breakdown of accounts receivable balances according to the length of time each account is past due, generally in 30-day intervals.

Allocation Indirect assignment of costs, usually in a manner that spreads costs arbitrarily across multiple programs or activities.

Allocation Plan The schedule of State Lottery money allocations by quarter for the biennium based on anticipated revenues.

Allocation Schedule The quarterly schedule of State Lottery money allocations and distributions that are actually made.

Allotment A part of an appropriation or expenditure limitation that may be encumbered or expended during a given period, usually 3 months.

Amortization The portion of the cost of a limited life or intangible asset charged as an expense during a particular period, or the reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

Ancillary Charges Costs necessary to put a capital asset into use, such as freight and handling, insurance in transit, and assembly or installations costs. These costs are capitalized as part of the asset.

Appropriation A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and as to the time when it may be expended. In the State of Oregon, appropriation is the term used for the expenditure budget for the General Fund. In all other funds, the term limitation is used.

Appropriation Number A five digit number in R*STARS that identifies the legal authority for disbursements.

Approved Budget Legislatively approved limitation or appropriation. The approved budget includes E-Board actions and other changes to the legislative adopted budget.

Approved Rates and Assessments Rates and assessments that have been submitted in the Statewide Central Service Cost Allocation Plan and have been approved for charges to federal programs by the U.S. Department of Health and Human Services, Division of Cost Allocation.

Approving Officer The agency head or his/her designee lawfully possessing the authority to obligate or authorize an expenditure of state funds. The approving officer can delegate expenditure decision authority to responsible subordinates by dollar limits, expenditure type limits, or in total.

Arbitrage The difference earned from investing low-yielding tax-exempt bond/COP proceeds in higher yielding taxable securities.

Arbitrage Rebate Payable The amounts due to the Internal Revenue Service for interest earned on unspent bond or COP proceeds that exceeds legally allowable returns.

Audit Agency A state agency that has been assigned to review the Single Audit Report of a subrecipient organization, which may be a local government or other non-profit organization.

Audit Letters Letters written to agencies by the Audits Division after an audit has been completed to provide recommendations and list findings not included in the formal report.

Audit Reports Formalized audits or review reports prepared by the Audits Division.

Audit Resolution The prompt review and correction of conditions which caused audit findings.

Audits Division The Audits Division of the Secretary of State.

Authorized Purchases Purchases which further the business of the State. A purchase will "further the business of the State" only when the purchase: (1) is authorized by statute and by the Department of Administrative Services (DAS) rule or policy or agency rule or procedure; (2) will promote or support the lawful operation of the agency on whose behalf the purchase is made; and (3) is covered by public funds that are currently available to the agency, by appropriation, expenditure limitation or other legislative authority and where applicable, by DAS allotment for the purpose of the purchase.

Authorized User Individual who has signed the Credit Card Application and Agreement form and has been authorized by the Approving Officer and/or the departmental custodian to use the credit card.

Available Funds Funds appropriated or otherwise made available by the Legislative Assembly to pay amounts due under a financing agreement for the fiscal period in which the payments are due, together with any unexpended proceeds of the financing agreement, and any reserves or other amounts which may have been deposited in trust to pay amounts due under the financing agreement.

Bargain Purchase Option A provision in a lease allowing the lessee to buy an asset sometime during the term of the lease at a price considerably lower than the fair market value of the asset. If there is reasonable assurance at the start of a lease that a purchase option will be exercised, the lease should be considered a capital lease.

Basis of Accounting The basis of accounting refers to the timing of when actual revenues, expenses, expenditures, and transfers and their related affect on assets and liabilities are recognized in the accounts and reported in the official accounting records and financial statements. The bases of accounting used in Oregon are the cash, accrual, and modified accrual. Each of these bases is separately defined in this glossary.

Benefit A reduction in risk, a cost savings, or an improvement in efficiency or effectiveness.

Biennium A period of two years beginning July 1 of each odd-numbered year.

Billing A request for payment where a state agency sends an invoice or other type of claim for a specific amount. This includes receivables due from private persons, firms or corporations, other agencies, the federal government, employees, and other parties.

Borrower A broker-dealer or other entity that transfers collateral to a governmental entity in a securities lending transaction.

Borrower Rebates Payments from a lender to a borrower as compensation for the use of cash collateral provided by the borrower in securities lending transactions.

Budget Instructions The biennial budget preparation manual developed and issued by the Budget and Management Division.

Building and Structure Repair Interior and exterior decorating, or minor additions and/or repairs to fixtures attached to or installed in or on a building, e.g., wiring, plumbing, or carpentry, but not including capital expenditures. It does not increase the value of the building or structure.

Business-type Activities One of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services, and are usually reported in enterprise funds.

CAFRS The software system used by SARS to produce the Comprehensive Annual Financial Report of the State of Oregon from R*STARS data.

Capital Assets Tangible or intangible assets used in agency operations that have initial estimated useful lives beyond a single year and an initial cost (inclusive of ancillary charges) of at least $5,000.

Capital Construction Expenditure for the construction of new buildings or additions to existing buildings. Construction costs include architect fees, land acquisition, land clearing, interest during construction, materials, subcontractors and agency labor. These projects are to be separately budgeted and accounted for in a specific cost center. Current budgetary definitions allow capital construction to be used only if the project amount is $500,000 or more. Beginning in the 2011-13 biennium, the amount is increased to $1,000,000 or more.

Capital Contributions Contributions of net assets (equity) to a proprietary fund or to the government-wide reporting fund.

Capital Improvements Expenditures for improvements to land or improvements and remodeling of existing buildings which increase the value, extend the useful life of the property, or make it adaptable to a different use. The same elements included in capital construction would be included in capital improvements. Improvements include any amount expended to improve leased property including those provided by the lessor if lump sum payment is required by the lessee. These projects are to be separately budgeted and accounted for in a specific cost center. Current budgetary definitions require capital improvement accounting for projects totaling less than $500,000. Beginning in the 2011-13 biennium, the amount is changed to less than $1,000,000.

Capital Lease A lease of real or personal property which meets the criteria for capitalizing an asset and recording a liability in the accounting records.

Capital Outlay Expenditures for acquiring capital assets.

Capital Project Funds Funds used to account for financial resources segregated for the construction or acquisition of major capital facilities. A capital projects fund is established upon project or debt issue authorization by the Legislature. All expenditures necessary to bring the facility to a state of readiness for its intended purpose are reported as capital project fund costs. On June 30, the activity is capitalized in the government-wide reporting fund or the appropriate proprietary fund type. Partially completed projects are included in the construction in progress account. Upon completion of a project, the buildings or other structures are recorded at cost.

Cash Includes currency on hand and currency in deposits with banks or other financial institutions. Cash also includes deposits in accounts or cash management pools that have the general characteristics of demand deposit accounts, i.e., an agency may deposit additional cash at any time and effectively withdraw cash at any time without prior notice or penalty.

Cash Account Account in State Treasury established by the Legislature upon which warrants can be drawn.

Cash Equivalents Short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. Examples of common cash equivalents include U.S. Treasury bills, commercial paper, certificates of deposit, money market funds, and cash management pools.

Cash Basis of Accounting Under the cash basis of accounting, revenues and transfers from other funds are not recorded in the accounts until cash is received, and expenditures or expenses (as appropriate) and transfers to other funds are recorded only when cash is disbursed. The cash basis refers to the timing and recording of actual transactions (revenue/expenditures) when cash changes hands without reference to a defined fiscal period such as a month, quarter, or year.

CFDA Catalog of Federal Domestic Assistance.

Change Fund A small fund of cash on site used to make change for over-the-counter customer purchases of services or supplies. This fund is kept at the minimum level needed to handle normal customer service needs and is maintained with daily cash receipts.

Change of Official Station Transfer to a new official station for the benefit of the employing agency.

Charge Card A card, charge card account number, or other identifying symbol, instrument, or device that can be used to pay for goods or services. The cardholder must pay the balance in full when they receive the charge card statement. Generally, payment may be made without penalty within a grace period of several days.

Charge Card Transaction A sale or other transaction or act in which a charge card is used to pay for, or to obtain on credit, goods or services.

Charge Card Transaction Record Any record or evidence of a charge card transaction, including, without limitation, any paper, sales draft, instrument or other writing and any electronic or magnetic transmission or record.

Chief Financial Officer The highest financial authority (directly responsible for financial activities) of any state agency.

Claim A demand for payment, reimbursement, or compensation for injury or damage under law or contract. A demand for payment due for delivery of services.

Cognizant Agency The federal agency assigned by the federal Office of Management and Budget to carry out the responsibilities described in OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Collateral The cash or securities received by the lender from the borrower as protection against the borrower's failure to return the underlying securities.

Collection Agency A business which acts as an agent for an entity to be the collector of debts, usually for a percentage of the amount collected. Can also refer to a collection unit within a state agency.

Collection Effort A written record kept of actions taken to collect a receivable owed to the state, including documentation produced by automated systems.

Collection Letter A letter sent to a debtor requesting payment of an amount that was previously billed and is now past due.

Collections All payments received by an agency as payment towards billings or receivables, including amounts received from collection agencies.

Compensated Absences Absences for which employees will be paid, such as vacation leave or compensatory time.

Compensation Any remuneration payable to an employee for employment or contractual services rendered by the employee to the employer.

Component Unit A legally separate organization for which the elected officials of the primary government are financially accountable. Component units can also be organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Comprehensive Annual Financial Report (CAFR) A governmental unit's official annual report prepared and published as a matter of public record. In addition to the basic financial statements, the CAFR should contain introductory material, schedules to demonstrate legal compliance, and statistical tables specified in the Governmental Accounting Standards Board Codification.

Concentration of Credit Risk The risk of loss attributed to the magnitude of a government's investment in a single issuer.

Contributing Agency An agency distributing federal funds to one or more local governments or non-profit organizations.

Control Activities A component of internal control; namely, the policies and procedures that help ensure management directives are carried out.

Control Environment The foundation for all other components of internal control, providing discipline and structure. Factors include (1) integrity and ethical values, (2) commitment to competence, (3) board of directors or audit committee participation, (4) management's philosophy and operating style, (5) organizational structure, (6) assignment of authority and responsibility, and (7) human resource policies and procedures.

Control Objectives The objectives of an internal control process: (1) reliable financial reporting, (2) effective and efficient operations, and (3) compliance with applicable laws and regulations.

Cost Accounting A method of accounting which provides for assembling and recording all elements of cost incurred to accomplish a purpose, to carry on an activity or operation, or to complete a unit of work or specific job.

Cost Allocation Plan The documentation identifying, accumulating, and distributing allowable costs under grants and contracts together with the allocation methods used.

Council The Oregon Investment Council.

Counterparty The party that pledges collateral or repurchase agreement securities to the government or that sells investments to or buys them for the government.

Credit Bureau A business which furnishes information concerning the paying habits of businesses and individuals and the extent of their credit buying. These bureaus are linked together by computer to form large national electronic networks. The credit ratings and payment history can be used in judging the account's reliability.

Credit Card A card, credit card account number, or other identifying symbol, instrument, or device that can be used to pay for, or to obtain on credit, goods or services.

Credit Card Transaction A sale or other transaction or act in which a credit card is used to pay for, or to obtain on credit, goods or services.

Credit Card Transaction Record Any record or evidence of a credit card transaction, including, without limitation, any paper, sales draft, instrument or other writing and any electronic or magnetic transmission or record.

Credit Enhancement Agreement Any agreement or contractual relationship between the State and any bank, trust company, insurance company, pension fund, or other financial institution providing additional credit on or security for a financing agreement or certificates of participation authorized by Oregon law.

Credit Risk The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Cross Cutting Issues Issues that affect multiple federal programs such as inadequate internal controls or programs omitted from the Schedule of Expenditures of Federal Awards.

Custodial Credit Risk The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Customer The customer of a state agency who receives a particular product or service.

DAS (Oregon) Department of Administrative Services.

Debt A sum certain due and owing an agency which has accrued as a result of the delivery of goods or services or through contract, subrogation, tort, or operation of law regardless of whether there is an outstanding judgment for that sum.

Debt Service Fund An accounting fund used to account for the accumulation of resources for, and the payment of interest and principal on, general governmental obligations that are included in the government-wide reporting fund.

Debtor Any private person, firm, or corporation owing money to or having a past due account with any agency whose obligation has not been adjudicated, satisfied by court order, set aside by court order, or discharged in bankruptcy.

Dedicated Fund A fund in the State Treasury that by law is dedicated, appropriated, or set aside for a limited object or purpose, but does not include a revolving fund or a trust fund.

Delinquent Any receivable which is 30 days or more past due.

Department The Department of Administrative Services (DAS) of the State of Oregon.

Department Custodian An employee authorized as the person responsible for the safekeeping and control of a credit card assigned to an office, section, division, or department. The custodian controls the credit card, checks it out to other designated users when necessary, maintains the log of purchase activity, and reconciles the monthly credit card billing statements.

Depreciation The expiration of the service life of capital assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence. It is the portion of the cost of the capital asset that is charged as an expense during a particular period.

Derived Tax Revenues Revenue resulting from a tax imposed on an exchange transaction, e.g. income taxes.

DHHS Regulations Regulations issued by the federal Department of Health and Human Services to implement OMB Circular A-133.

Direct Cost A cost which can be traced to or identified as part of the cost of a specific product or service or of a department or operating unit, as distinguished from overhead and other indirect costs which must be prorated among several products or services, departments, or operating units.

Director The director of the Department of Administrative Services (DAS).

Division The Department of Administrative Services, State Controller's Division.

Division of Cost Allocation The Division of the U.S. Department of Health and Human Services that is responsible for approving and monitoring the rates and assessments to be charged to federal programs. The federal Department of Health and Human Services (DHHS) is the assigned federal cognizant agency for the State in accordance with OMB Circular A-133.

Documentation Recorded evidence supporting an event or transaction.

Due Date The date a debt is due and payable at the originating state agency.

Dunning Notice A collection letter for past-due accounts.

Effectiveness The degree to which an agency or program is successful at meeting goals, objectives, and statutory mandates.

Efficiency The degree to which an agency or program is successful at meeting goals and objectives with the least use of resources.

Employee Agency staff in the exempt, unclassified, and classified service providing personal services to the employer.

Employee who Executes Payment Documents The agency head or his/her designee lawfully possessing the authority to execute payment documents or cause their preparation. This authority is separate and distinct from that given an approving officer and is for the payment of an obligation, not for authorizing the obligation or expenditure.

Employer The State of Oregon and its various departments, agencies, commissions, and boards.

Encumbrances Obligations in the form of purchase orders or contracts which are chargeable to an appropriation or limitation and for which a part of the appropriation (or limitation) is reserved.

Enterprise Fund An accounting fund used to account for the provision of goods and services to the general public where all or most of the costs involved are primarily paid for in the form of charges to the users of such services.

Entitlements The amount of payment to which a state or local government or an individual is entitled, generally pursuant to state or federal statute.

Estimated Revenues The amount of revenues estimated in an agency's budget to be received or to become receivable during the biennium. This amount will not include beginning cash balances, ending cash balances, or appropriations that finance operations.

Excess Interest Distribution Interest earnings distributed monthly to designated funds in the State Treasury that have cash balances.

Exchange Transactions Transactions in which each party to the transaction gives up or receives essentially equal value.

Executive Service Those unclassified or exempt employees designated as such by the director of the Department of Administrative Services, and those designated as exempt in ORS 240.200(1) or as unclassified in ORS 240.205(1), (2), (3), (4), and (5).

Executory Costs The cost of preparing and executing a contract, which may be included in the payments on the contract and is accounted for as a current expense.

Expenditures Decreases in net financial resources under the current financial resources measurement focus not properly classified as other financing uses.

Expenditure Decision Authority The authority given to a state employee by an approving officer to authorize an expenditure of state funds by review, approval, and signature of a claim or authorization document.

Expenditure Limitation The maximum amount of expenditures authorized by the legislature from fees, moneys, or other revenues collected or received by an agency. An expenditure limitation is usually limited in amount and as to the time when it may be expended.

Expenses Charges incurred, whether paid or unpaid, for operation, maintenance, interest, and other charges presumed to benefit the current fiscal period.

Extraordinary Items Transactions or other financial events that are both unusual in nature and infrequent in occurrence.

Federal Awards Federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities.

Fiduciary Funds Accounting funds that account for resources held by a governmental unit in a fiduciary capacity as an agent or trustee. Fiduciary funds are not used to account for resources that are owned by the governmental unit. Fiduciary funds include Pension trust funds, investment trust funds, private purpose trust funds, and agency funds.

Financing Agreement A lease-purchase agreement, an installment sale agreement, a loan agreement, or any other agreement to finance real or personal property which is or will be owned and operated by the State or any of its agencies, or to refinance previously executed financing agreements.

Fiscal Agent A bank or other corporate fiduciary that performs the function of paying, on behalf of the governmental unit or other debtor, interest or principal on debt when due.

Fiscal Office (Fiscal) The office in an agency responsible for paying invoices, recording transactions, and performing related fiscal functions.

Fiscal Period Any period at the end of which a government unit determines its financial position and the results of its operations. The fiscal year of the State shall commence on July 1 and end on June 30 of the following year.

Foreign Currency Risk The risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

Forms 1099 See "Information Returns."

Fund A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities, and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund Accounting An accounting system organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or net assets, revenues and expenditures or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon purposes for which they are to be spent and the means by which spending activities are controlled. Fund accounting is used by state and local governments and by not-for-profit organizations that need to account for resources, the use of which is restricted by donors or grantors.

Fund Balance The excess of the assets of a governmental fund over its liabilities.

Further the Business of the State A purchase will "further the business of the state" only when the purchase:
(1) is authorized by statute and by Department of Administrative Services rule or policy or agency rule or procedure; (2) will promote or support the lawful operation of the state agency on whose behalf the purchase is made; and (3) may be paid by public funds that are currently available to the agency, by appropriation, expenditure limitation or other legislative authority (and where applicable, by Department of Administrative Services allotment) for the purpose of the purchase.

GAAP See “Generally Accepted Accounting Principles.”

Garnishment Legal proceeding that authorizes a third party to directly attach the debtor's funds, such as wages or a bank deposit, to satisfy a creditor's claim.

General Fund A fund used to account for all transactions of a governmental unit that are not accounted for in another fund.

General Fund Revenue All payments of money to the State Treasury that are placed to the credit of the General Fund for general governmental purposes.

General Long-Term Debt Long-term debt legally payable from general revenues and backed by the full faith and credit of a governmental unit.

General Revenues Used in conjunction with the government-wide statement of activities, this term refers to revenues that are not program revenues. All taxes, even if levied for specific purposes, are general revenues. Other revenues that do not meet the criteria for reporting as program revenues are general revenues.

Generally Accepted Accounting Principles (GAAP) Those accounting principles sanctioned by recognized authoritative bodies such as the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). The Department of Administrative Services interprets these principles for Oregon state government through its Oregon Accounting Manual (OAM).

Generally Accepted Auditing Standards (GAAS) The rules and procedures that govern the conduct of financial audits, established by the American Institute of Certified Public Accountants.

Generally Accepted Government Auditing Standards (GAGAS) Standards for the conduct and reporting of financial and performance audits in the public sector, established by the Government Accountability Office through its publication *Government Auditing Standards*, commonly known as the *Yellow Book*.

Governmental Accounting Standards Board (GASB) The independent board established under the Financial Accounting Foundation in 1984 as the official body designated to set accounting and financial reporting standards for state and local governments.

Governmental Activities Activities generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. These activities are generally reported in governmental funds and internal service funds.

Governmental Funds A generic classification used to refer to all funds other than proprietary and fiduciary funds. The General Fund, special revenue funds, capital projects funds, debt service funds, and permanent funds are the types of funds referred to as "governmental funds."

Government-mandated Nonexchange Transactions Transactions that occur when a government at one level provides resources to a government at another level for a specific mandated program.

Government-wide Financial Statements Financial statements that incorporate all of a government's governmental and business-type activities, as well as its nonfiduciary component units. The two basic government-wide financial statements are the statement of net assets and the statement of activities. Both are presented using the economic resources measurement focus and the accrual basis of accounting.

Government-wide Reporting Fund The fund used to account for long-term assets, long-term liabilities, and accrual transactions for governmental funds, so that those transactions can be included in reporting for the government-wide financial statements. This fund is used to convert governmental fund activities from the current financial resources measurement focus and modified accrual basis of accounting to the economic resources measurement focus and full accrual basis of accounting.

Grant A contribution or gift of cash or other assets to be used for a specific purpose, activity or facility. Grants restricted by the grantor for the acquisition or construction of a capital facility are capital grants. All others are operating grants.

Historical Cost The amount paid, or liability incurred, by an accounting entity to acquire an asset and make it ready to render the services for which it was acquired.

Implicit Interest Rate The discounted interest rate that, when applied to the minimum lease payments less **executory costs** of the lease and the **unguaranteed residual value** of the asset, causes the aggregate present value of the leased property to be equal to the fair value of the property to the lessor.

Imposed Nonexchange Transactions Transactions where a government imposes an assessment on a nongovernmental entity based on something other than an exchange transaction, e.g. fines and penalties.

Incomplete Check An item which is non-negotiable due to mutilation or lack of signature. A check will also be considered incomplete when a check amount drawn on a foreign bank is smaller than the amount a domestic bank will accept for collection or the bank's collection fee is greater than the amount of the check.

Incremental Borrowing Rate The rate at the inception of a lease that the lessee would have incurred to borrow over a similar term the funds necessary to purchase the leased asset.

Indirect Cost A cost necessary for the functioning of the organization as a whole, but which cannot be directly assigned to one service or product.

Information Returns Returns required by the Internal Revenue Service to provide information on various types of taxable income. They include Form 1098 for mortgage interest, form W2-G for gambling winnings, and several forms 1099.

Infrastructure Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples include roads, bridges, tunnels, water and sewer systems, and lighting systems.

Intangible Assets An intangible asset is property used in agency operations, has an estimated useful life beyond a single reporting period, has an intitial cost of more than $5,000, lacks physical substance, and is nonfinancial in nature. Examples of intangible assets include easements, water rights, timber rights, mineral rights, patents, trademarks, and computer software.

Interest Rate Risk The risk that changes in interest rates will adversely affect the fair value of an investment.

Interfund Services Provided and Used Sales and purchases of goods and services between funds of the primary government for a price approximating their external exchange value.

Interim Financial Reports Interim financial reports are comprised principally of statements that reflect current financial position at the end of a month or quarter and compare actual financial results with budgetary estimates and limitations, for the month or quarter and/or for the year to date.

Internal Auditing Internal auditing is an independent appraisal activity established within an agency as a service to the agency. It is a control that functions by examining and evaluating the adequacy and effectiveness of other controls.

Internal Control A process designed to provide reasonable assurance that the objectives of reliable financial reporting, effective and efficient operations, and compliance with laws and regulations are achieved. Includes the control environment, the identification and analysis of risks, control activities, information and communication within and outside the organization, and monitoring of the process over time.

Internal Service Fund A fund established to finance and account for the services and commodities furnished by a designated department or agency to other departments and agencies within a single governmental unit.

Investment Trust Fund A fiduciary fund type used to report governmental external investment pools in separately issued reports and the external portion of these same pools when reported by the sponsoring government. The Local Government Investment Pool is reported as an investment trust fund.

Issuer An entity that has the authority to distribute a security or other investment. A bond *issuer* is the entity that is legally obligated to make principal and interest payments to bond holders. In the case of mutual funds, external investment pools, and other pooled investments, *issuer* refers to the entity invested in, not the investment company-manager or pool sponsor.

Joint Payroll Account The account in the State Treasury established by statute for the purpose of funding payroll expenses of agencies whose payrolls are processed by OSPS. Agencies must reimburse this account for those expenses.

Judgment A court order ruling that the debtor is indebted to and must make payments to the creditor of a specific amount.

Lease A contract by which one party gives to another the use and possession of land, buildings, or personal property for a specified time and for fixed payments.

Leasehold The right to the use of real estate by virtue of a lease, usually for a specified term of years, for which a consideration is paid.

Lender A governmental entity that transfers its securities to a broker-dealer or other entity in a securities lending transaction.

Lender Fees Payments from a borrower to a lender as compensation for the use of the underlying securities when the borrower provides cash or securities as collateral.

LFO The Legislative Fiscal Office of the Oregon State Legislature.

Liabilities Probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

Lien A claim (which can include a judgment) or charge upon real and/or personal property for the satisfaction of some debt.

Limitation The maximum amount an agency can expend during a biennium from non-General Fund moneys.

Liquidated Debt An amount owing to a state agency that meets all of the following criteria: 1) an agency has determined an exact past due amount owing; 2) an agency has made a reasonable attempt to notify the debtor in writing of the amount owing, the nature of the debt, and has requested payment; and 3) the debt meets one of the following conditions: (a) a judgment has been entered, (b) is a tax debt for which a distraint warrant has been issued or the prerequisites of issuance have been met, (c) liability for and the amount have been established through an administrative proceeding, (d) is for a non-complying employer's debt for claim and administrative costs eligible for referral under criteria identified by the Department of Justice, (e) arises from a promissory note, (f) is due to a pre-existing agreement and the debtor has not objected within a reasonable time, (g) has been unconditionally acknowledged by the debtor, both as to liability and amount, (h) derived by an arithmetical calculation of fees, collection costs, charges, penalties, or the like from a report or an application for a permit or license submitted by the debtor in accordance with regulations and has not been disputed as to liability and amount, (i) has been established by administrative or judicial proceeding as to liability, but not amount, the amount is based on an arithmetical calculation, has been delivered to the debtor and the debtor has not objected within a reasonable time. See OAM 35.30.10.PO paragraph .104 for further explanation.

Local Government A city, county, school district, fire district, or other local government that is receiving federal financial assistance from a contributing agency to carry out a program. Local government does not include an entity acting as a contractor or vendor of services to the State.

Local Government Investment Pool (LGIP) The portion of the Oregon Short-Term Fund consisting of assets belonging to local governments.

Management Accounting Information Financial, non-financial, and statistical information provided by accounting or other information systems to assist with managerial decisions and control.

Management Service Those employees not in unclassified or exempt service determined to be confidential or supervisory as defined in ORS 243.650(6) and (16).

Mass Transit Tax The employee-paid payroll tax assessed at a rate not to exceed six tenth's of one percent (.006) against gross salaries.

Modified Accrual Basis of Accounting The basis of accounting according to which revenues are recognized when they become available and measurable and expenditures are recognized when they are incurred.

Net Carrying Amount The amount due at maturity, adjusted for any unamortized premium, discount, and issuance costs related to the old debt in a debt refunding.

Nonbudgeted Expenditures Expenditures incurred by an agency, board, or commission that are not included in the budget document and are not subject to legislative authorization.

Non-capital Assets Tangible or intangible property used in agency operations having a useful life beyond a single year and an initial cost (inclusive of ancillary charges) of less than $5,000.

Nonexchange Transactions Transactions in which one party gives value or benefit to another party without directly receiving equal value in exchange. The four classes of nonexchange transactions are (1) derived tax revenues, (2) imposed nonexchange transactions, (3) government-mandated nonexchange transactions, and (4) voluntary nonexchange transactions.

Nonlimited Expenditures Expenditures that are not subject to appropriation or limitation, including certain distributions, debt service, and special payments. Nonlimited expenditures are included in the budget document but are not subject to legislative authorization.

Nonoperating Revenues and Expenses A term used in connection with proprietary fund operating statements; it refers to revenues and expenses that do not qualify as operating items, such as investment income, investment expenses, and grants.

Non-profit Organizations Any corporation, trust, association, cooperative or other organization which (1) is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest; (2) is not organized primarily for profit; and (3) uses its net proceeds to maintain, improve, and/or expand its operations.

Nonreciprocal Interfund Activity The internal counterpart to nonexchange transactions. This category includes both interfund transfers and interfund reimbursements.

OAM Oregon Accounting Manual.

Obligation An amount which a governmental unit may be legally required to meet out of its resources.

Officer Any individual designated by an agency head to authorize travel and approve travel expenses.

Official Station The building or location to which personnel are assigned, or the place to which personnel return upon completion of a field assignment, or the location the Department of Administrative Services may define in special situations.

OMB Circular A-21 Issued by the federal Office of Management and Budget titled "Cost Principles for Educational Institutions."

OMB Circular A-87 Issued by the federal Office of Management and Budget titled "Cost Principles for State and Local Governments."

OMB Circular A-133 Issued by the federal Office of Management and Budget titled "Audits of States, Local Governments, and Non-Profit Organizations."

OPE Other payroll expenses.

Operating Leases A lease of real or personal property not meeting any of the criteria for a capital lease. This type of lease is treated similarly to normal rental payments.

Operating Revenues and Expenses Term used in connection with the proprietary fund operating statement which refers to revenues and expenses that derive directly from operations to distinguish them from nonoperating revenues and expenses. For example, sales income is operating revenue, and salaries are operating expenses.

Oregon Blue Book A reference work compiled and published by the Secretary of State, which includes descriptions and contact information for state agencies.

Oregon Short-Term Fund (OSTF) An external cash and investment pool operated by the State Treasury, containing deposits for state agencies and the Local Government Investment Pool. The OSTF operates as a demand deposit account.

OSPA Oregon State Payroll Application, the State's central payroll system maintained by the State Controller's Division.

OSPS Oregon State Payroll Services within the State Controller's Division. Also used as an acronym for the Oregon State Payroll System.

Out of State Travel All travel from a point of origin in Oregon to a destination in another state, then returning to the point of origin, as defined in ORS 292.230.

Overhead Elements of cost necessary in the production of an article or the performance of a service which are of such a nature that the amount applicable to the product or service cannot be determined accurately or readily. Usually they relate to those objects of expenditure that do not become an integral part of the finished product or service such as rent, heat, light, supplies, management, and supervision.

Past Due Any debt that has not been paid by the close of business on the due date. When the payment on the account becomes past due and the account requires more than one payment, only the current payment that is past due should be reported as past due unless the terms of the agreement contain an acceleration clause.

Pay Day Pay day is normally the first day of the month, except for supplemental payrolls. When the first day of the month falls on a Saturday, Sunday or a holiday, payday is the prior workday.

Payables Liabilities incurred but not yet paid, for goods and services received by a governmental unit.

Payment Document The document which allows the payment of funds such as a voucher, warrant, check, or similar document.

Pension Trust Fund A fiduciary fund type used to report pension plans administered by the Public Employees Retirement System (PERS).

Per Diem Subsistence allowance (meals and lodging) for a 24-hour period, beginning with the time of departure.

Performance Measure Indicator of the work performed and the results achieved in an activity or group of activities. They can be financial or non-financial and indicate how well the activities meet the needs of internal and external customers.

Permanent Funds A governmental fund type used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the government and its citizens. The principal amount must be held in perpetuity (not spent).

Personal Expenses These are gratuities for anything other than meals (subject to the policy on gratuities), cost of laundry, hair care, alcoholic beverages, shoe shines, movies, other entertainment, and other personal expenses and shall not be authorized by the agency at any time excepting certain personal phone calls.

Personal Property Tangible goods other than real property.

Personal Purposes Non-employment related purposes that do not "further the business of the State" and/or that benefit an employee or another person individually rather than facilitate the discharge of the official functions or duties of the agency or the employee.

Petty Cash A sum of money set aside for the purpose of making change or paying small obligations for which the issuance of a formal voucher and check would be too expensive and time consuming. Sometimes called a petty cash fund, with the term fund here being used in the commercial sense of earmarked liquid assets.

Physical Inventory Physical verification of all items listed on the inventory records. Periodically, agencies will conduct physical inventories on all capital assets.

Pollution The presence of a substance in the environment that because of its chemical composition or quantity prevents the functioning of natural processes and produces undesirable environmental and health effects. (U.S. Environmental Protection agency)

Pollution Remediation Obligation An obligation to address the current or potential detrimental effects of existing pollution by participating in remediation activities. Examples: obligations to clean up spills of hazardous wastes or hazardous substances; obligations to remove contamination such as asbestos.

Post-audit Review of a sample of claims already paid for compliance with policy and procedures.

Pre-audit Review of each claim before payment to assure its compliance with policy and procedures.

Private Purpose Trust Fund A fiduciary fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments. Fiduciary funds are not used to account for resources that are owned by the governmental unit.

Process A series of activities that are linked to perform a specific objective.

Program Revenues Used in conjunction with the government-wide statement of activities, this term refers to revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizens. Program revenues reduce the net cost of the function to be financed from the government's general revenues.

Property Any tangible, physical item (including land) that a state agency has title to or that comes into its possession by virtue of a lease, loan, gift, or other means of acquisition.

Proprietary Funds Accounting funds used to account for a government's on-going organizations and activities which are similar to those found in the private sector. These activities consist principally of providing services for a fee or selling a supply, material, or product to the public or another government agency.

Public Contracts Usually construction contracts for public facilities such as buildings, roads, or large equipment installations.

Purchase Order A document including a purchase request which authorizes the delivery of specified merchandise or the rendering of certain services and the making of a charge for them.

Purchasing Section The purchasing section (State Procurement Office) in the State Services Division of the Department of Administrative Services.

R*STARS Relational Statewide Accounting and Reporting System. The State of Oregon's statewide accounting system. In combination with ADPICS, R*STARS is also known as SFMA, or the Statewide Financial Management Application.

RACFID The Resource Access Control Facility Identification number, a unique identification number assigned to individual employees by the State's personnel system and necessary for access to many of the State's computer systems.

Real Property Land, structures, and other appurtenances (additions or improvements).

Reacquisition Price The amount required to repay previously issued debt in a refunding transaction. In a current refunding, this includes principal of the old debt and any call premium. In an advance refunding, it is the amount placed in escrow that, together with interest earnings, is necessary to pay interest and principal on the old debt and any call premium. Premium or discount and issuance costs pertaining to the new debt are not considered part of the reacquisition price, but instead are separate items related to and amortized over the life of the new debt.

Reasonable Accommodation Travel facilities and transportation readily accessible and usable by individuals with disabilities, determined by the agency to be appropriate on a case-by-case basis, which accommodations do not impose an undue hardship on the agency.

Reasonable Assurance The balancing of cost, benefit, and risk to detect errors, fraud, waste, abuse; to prevent problems; or to have legal compliance.

Receivables Amounts owing to the State including accounts receivable, loans, notes receivable, and interest. Receivables can be due from private persons, firms, corporations, other agencies, employees, and the federal government.

Receiving Agency The agency that acquires the services of another department's employee through a job rotation agreement.

Reciprocal Interfund Activity The internal counterpart to exchange and exchange-like transactions. This category includes both interfund loans and interfund services provided and used.

Recoveries on Accounts Written Off Amounts collected on debts after they have been written off the agency's accounting records.

Reduction of Expense Moneys received as a result of excess payments made on obligations. Receipts are posted as a credit to an expenditure object code rather than as a credit to a revenue object code.

Regular Work Shift A minimum of eight hours worked per day for a full-time employee.

Reimbursements Transactions which constitute payments to a fund for expenditures initially made from it which are properly applicable to another fund.

Residence The actual dwelling place of personnel determined without regard to any other legal or mailing address.

Restricted Assets Assets (cash or investments) are restricted when constraints placed on asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Restricted Net Assets A component of net assets resulting from revenues that are restricted for a particular purpose. Restrictions are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Retainage An amount withheld from a contractor payment made by the agency on earned amounts. This is usually held until the completion and acceptance of a project as security to assure completion by the contractor.

Revenue For those revenues which are recorded on the accrual basis, this term designates additions to assets which: (a) do not increase any liability; (b) do not represent the cancellation of certain liabilities without a corresponding increase in other liabilities or assets. The same definition applies to those cases where revenues are recorded on the modified accrual or cash basis except that additions would be partially or entirely to cash.

Revolving Fund A fund established by law from which is paid the cost of goods or services furnished to or by a state agency, and which is replenished through charges made for such goods or services.

Risk The possibility that an error or fraud will occur, or that management or legal compliance will not be met.

Risk Assessment Reviewing vulnerability and weighing controls against cost, benefits, and efficiency.

SARS Statewide Accounting and Reporting Services within the State Controller's Division.

Schedule of Expenditures of Federal Awards (SEFA) A schedule of federally funded programs under which a government received federal aid, listed by CFDA number and amount expended, that is required by the Single Audit Act.

SCS Shared Client Services within the State Controller’s Division.

Securities Lending Agent An entity that arranges the terms and conditions of loans, monitors the market values of the securities lent and the collateral received, and often directs the investment of cash collateral.

Securities Lending Transactions Transactions in which governmental entities transfer their securities to broker-dealers or other entities for collateral (which may be cash or securities) and simultaneously agree to return the collateral for the same securities in the future.

Self-Sustaining Accounts Self-sustaining cash accounts are self-supporting, which means that agencies must collect and deposit cash in these accounts so as to have sufficient cash balance to process an expenditure.

Sending Agency The agency that creates the opportunity for its employee to gain work experience with another department.

Separate Accounting Records Records which show the detail transactions related to the approved activity separately from other agency activities so they may be easily identified for review and audit purposes.

Separation of Duties Placing key duties with different people to detect errors and prevent wrongful acts; no single person should cross the three responsibilities of authorizing, recording, and maintaining custody.

Setoff Full or partial payment of a delinquent account by deducting the amount owed from an income tax refund or other sum due a debtor from the Department of Revenue or any other state agency.

SFMA Statewide Financial Management Application that consists of two parts: Relational Statewide Accounting and Reporting System (R*STARS) and Advanced Purchasing and Inventory Control System (ADPICS). ADPICS is used for purchase processing and interfaces with R*STARS.

SFMS Statewide Financial Management Services within the State Controller's Division.

Shared Revenues Revenues levied by one government but shared on a predetermined basis with another government or class of government.

Special Items Transactions or other financial events that are within the control of management and are either unusual in nature or infrequent in occurrence.

Special Revenue Fund An accounting fund that is used to account for the proceeds of specific revenue sources or finance specified activities as required by law or administrative regulations. Special revenue funds are established to account for taxes, licenses, and other revenue allocated by law to specific purposes.

SPOTS Card This is a state-sponsored credit card that agencies may use to procure goods and services.

State Controller's Division (SCD) The State Controller's Division of the Department of Administrative Services.

State Funds Any funds held by the State Treasurer and disbursed to satisfy a claim which includes federal funds, general funds, lottery funds, and other funds. Also includes any funds held by an agency such as petty cash or change funds or on deposit with another financial institution when allowed by law.

State Official or State Employee Any state employee other than the Legislative Assembly, members of the judiciary, and any statewide elected official.

Statewide Central Service Cost Allocation Plan (SWCAP) The plan submitted to the federal Department of Health and Human Services, Division of Cost Allocation in accordance with OMB Circular A-87, A-21, and other applicable federal laws and regulations to obtain approval for rates and assessments to be charged to federal programs.

Statistical Tables Tables presented in the CAFR that usually cover more than two fiscal years and may present non-accounting data. Statistical tables reflect social and economic data or financial trends.

Subrecipient Any person, government, or organization that receives federal financial assistance to carry out a federal program from a state or local government (pass-through entity) and meets the general characteristics of a subrecipient under OMB Circular A-133. It does not include beneficiaries of such programs.

Surplus Property All personal and real property, vehicles, and titled equipment excess to the state agency's needs and available for sale.

Suspense Account An account at Treasury into which receipts are deposited temporarily pending the determination of the proper account or accounts where they should be posted. Most suspense deposits are ultimately transferred to fund accounts. Suspense accounts for other than deposits are in the nature of self-sustaining funds, such as dedicated funds, revolving funds, or trust funds.

The Act The Single Audit Act of 1984 and all subsequent revisions.

Transaction Code The three-digit code in R*STARS that determines what general ledger accounts, files and tables a transaction will post. Transaction codes are defined on the 28A and 28B screens in R*STARS.

Transfer Accounts Transfer accounts are used to record the transfer of resources from one fund or agency to another. All interfund transactions except loans or advances, interfund services provided and used, or reimbursements are transfers.

Unallowable Costs Costs that are not allowed to be charged to federal programs under OMB Circular A-87 or A-21. These include, but are not limited to, interest costs for non-building purposes, mass transit taxes, expensed capital purchases, future capital needs, contingency reserves, or any profit above operational expenses.

Unauthorized Use Purchases that do not further the business of the State, are for non-employment purposes, or are otherwise not allowed because of specific restriction or violation of other State purchasing requirements. Examples would include the use of a State credit card for personal purposes and includes obtaining cash for personal use from such a credit card account.

Uncollectible Claims Specific receivables that cannot be collected in whole or in part, either because the debtors cannot pay or because the creditor finds it impracticable to enforce payment.

Underlying Securities The securities lent by the lender to the borrower.

Undue Hardship An action requiring significant difficulty or expense. The following factors are to be included in determining whether an accommodation would impose an undue hardship: overall size of the agency with respect to number of employees, number and type of facilities and the size of the budget; type of operation, including the composition and structure of the work force; and the nature and cost of accommodation.

Unguaranteed Residual Value The estimated value of an asset at the end of a lease contract.

Unrepresented Those employees who are not currently in a bargaining unit but who would be represented if a bargaining unit were established.

Vendor Any person, government, department, agency, or organization which delivers services under the direction of the state government, nonprofit organization, or subrecipient.

Voluntary Nonexchange Transactions Transactions resulting from legislative or contractual agreements, other than exchanges, entered into willingly by two or more parties, where the provider frequently establishes purpose restrictions and eligibility requirements.

Voucher The document which, when properly filled out and signed, authorizes the Department of Administrative Services to order payment of a claim through issuance of a warrant.

Warrant A draft on the State Treasury, drawn by the Department of Administrative Services on behalf of a state agency, to pay a claim to a designated payee.

Working Capital The portion of net assets that represents the cash operating requirements of the internal service fund. For federal compliance purposes, the limit is 60 days of cash expenses, which excludes depreciation, amortization, or other non-cash allocations. Sixty days working capital is to be calculated as the average operating expenses of the last three years of operations multiplied by .1667.

Write-Offs Receivables that are determined to be uncollectible by management and have been removed from the agency's accounting records. Agencies must have approval from the Secretary of State to write-off accounts in excess of $5,000.