

OREGON ACCOUNTING MANUAL		Number 20.40.00.PO
Oregon Department of Administrative Services State Controller's Division	Policy	Effective Date March 21, 2006
Chapter	Budgetary Accounting and Reporting	.1 OF .2
Part	Reduction of Expense	
Section		Approval Signature on file at SCD

Authority [ORS 291.015](#)
[ORS 291.232](#)
 NCGA Statement No. 1
 GASB Statement No. 42

Policy Guidelines

- .101 This policy provides guidance to agencies on proper recording of reduction of expense. In order to ensure that program costs are fairly presented in financial and budgetary reports, reductions of expense should be used only when doing so will not distort true program costs.
- .102 The legislatively **approved budget** is intended to be the maximum amount needed to meet program requirements. Reduction of expense should not be used 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.
- .103 Before recording a reduction of expense, agencies should decide if it will 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.
- .104 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. It should not be used merely for convenience. Reduction of expense may not exceed actual expenditures. The reduction must occur within the same budgetary period. If not, it is recorded as revenue.
- .105 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 that are intended 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.

- .106 Insurance recoveries are recorded as a reduction of expense. Refer to [OAM 15.60.25.PR](#) for accounting guidance related to insurance recoveries associated with capital asset impairments. Refer to [OAM 15.35.00.PR](#) 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.
- .107 Failure to properly apply this policy may result in a review of agency budgetary accounting practices.