

COUNTY OF HUMBOLDT

Legislation Text

File #: 20-902, Version: 1

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Departmental

SUBJECT:

Introduction of Ordinance to Amend the Expense Ordinance and Updated Expense and Reimbursement Policy

RECOMMENDATION(S):

That the Board of Supervisors:

- 1. Approve the Updated Expense and Reimbursement Policy (Attachment 2) as the official Board policy on travel, expenses and reimbursements;
- 2. Adopt Resolution # _____ Adopting the Updated Expense and Reimbursement Policy (Attachment 7);
- 3. Introduce by title: "An Ordinance of the Board of Supervisors of the County of Humboldt Amending sections 254-2, and 254-4 through 254-9 of Chapter 4 of Division 5 of title II of the Humboldt County Code Relating to Expenses," Ordinance No. _____ (Attachment 3);
- 4. Waive the first reading of the ordinance and set for adoption at least one week away;
- 5. Direct the Clerk of the Board to publish the pre-adoption summary of the ordinance (Attachment 5); and
- 6. Direct the Clerk of the Board, within 15 days after adoption of the ordinance, to publish a postadoption summary of the ordinance (Attachment 6) with the names of the Supervisors voting for and against the ordinance, and to post in the office of the Clerk of the Board a certified copy of the full text of the adopted ordinance and amendment along with the names of those Supervisors voting for and against the ordinance [Government Code Section 25124 (b)(1)].

SOURCE OF FUNDING: All county funds

DISCUSSION:

The Expense and Reimbursement Policy is a set of rules for practice and procedure that provides department heads and employees with additional guidelines for authorized expenditures and activities that are allowable for county payment, either by direct payment, reimbursement, per diem or other payment method as detailed within the policy.

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Your Board last modified this ordinance (formerly known as the Travel Expense Ordinance) on March 27, 2018 when sections 254-4 and 254-6 were amended. At the same time the policy (formerly the Travel and Meal Policy) was amended. Those changes centered around updating the per diem rate so that it is in line with the federal per diem rate, approval for out of state travel, clarifications regarding appropriate fuel purchases and changes to reimbursement for travel to local meetings.

The proposed amendments before your Board today contain more changes than the prior modifications. These amendments are meant to ensure county payments are made within IRS guidelines, and to streamline the approval process for claims in an effort to ensure that authorized personnel receive county payment for authorized expenditures without delay. Below are details about some significant changes to the policy:

Accountable Plan

An "Accountable Plan," is a plan created by the Internal Revenue Service (IRS) to determine how employers treat reimbursements or allowance arrangements on employees' Forms W-2. County payments that are paid to employees under an accountable plan are not reported as taxable pay. To be an accountable plan, the county's arrangement must include all of the following rules:

- 1. Business expenses musts have a business connection that is, authorized personnel must have paid or incurred deductible expenses while performing services as an employee or authorized personnel of the county.
- 2. Authorized personnel must adequately account to the county for these expenses within a reasonable time. For purposes of this policy, authorized personnel must account for their expenses within 60 days (or within 30 days of the end of the fiscal year).
- 3. Authorized personnel must return any excess reimbursement or allowance within a reasonable period of time, which has been determined to be 120 days in this policy. Excess reimbursement or allowance is any amount an authorized personnel is paid that is more than the business-related expenses that they adequately accounted for to the county.

Department Head/Designee Approval

The policy describes in detail the circumstances under which expenditures can be made. Many of the judgment calls about which expenses are related to county business require detailed knowledge about a department's operations and the context of expenditures. Therefore, in many sections of the policy department heads and/or their designee(s) have been delegated authority to determine whether a particular expense or arrangement is authorized pursuant to those sections. For example, a version of the following phrase has been included in several sections of the policy to provide authority that the department head and/or designee has authorized expenses or arrangements made pursuant to that section:

Section V.A.3 reads "By Department Head or designee approval of travel claim, it is assumed that the means and mode of transportation are authorized, and transportation expenses are considered reasonable and necessary."

By inserting the statement above much of the review process should be able to be taken care of at the department level, thereby streamlining reimbursement and other county payment to employees.

Special Circumstances

From time to time, the county recruits for department head positions and other senior essential positions. These recruitments sometimes require the county to bring individuals from out of the area to interview for the job. The cost associated with travelling to Humboldt County for interviews has been identified as an obstacle to hiring qualified personnel. Therefore, this policy authorizes the county to pay for certain expenses related to recruiting, with approval of the Director of Human Resources, the County Administrative Officer (CAO) and the appointing authority.

Fees and Tickets

Section VII.C.1 reads:

"The county expects Authorized Personnel who are traveling for business to conduct themselves professionally and within the law. Employees are to be responsible when they violate the law while traveling for business or working for the county.

- 1. The county will not pay for the unlawful operation of a vehicle including parking or moving violations.
 - a. Exceptions to this policy may be made with approval of: 1 -Department Head, and 2 - CAO or CAO Designee."

The Auditor-Controller (AC) has reviewed this policy and has approved all but Section VII.C.1. above regarding Fees and Tickets. The AC has stated to staff that she is not willing to approve county payments for unlawful operation of vehicles without having the opportunity to consider it before approval.

Per Diem Amounts

As stated in the existing policy, authorized personnel may be paid for meals up to the then-current General Services Administration (GSA) posted rate, which is determined by the city or county visited, including circumstances where meals exceed per diem rates. The new element detailed within this policy accounts for IRS regulations regarding amounts reimbursed above per diem rates. In these cases, those amounts will be treated as taxable income. Pursuant to Section VIII.B.2.d, departments are able to provide written explanations regarding exceptions to time limits. In effect, this allows flexibility as to the time of day each per diem can be claimed as well, which would allow, for example, a deputy who begins work at 3 am can still claim dinner when working a 14-hour shift.

Limitations and Authority

This policy cannot address every scenario around travel, meals and expenses. Therefore, Section IX has been included to lay out the process for interpreting the policy and how to dispute claim denials. This section states that every effort shall be taken to uphold the claim for payment as submitted by the Department Head or designee. If the Auditor-Controller denies approval of a business expense claim, the claimant or department may refer the claim to the CAO or their designee to bring before the Board of Supervisors for consideration. Any claim denial shall include, in writing, a reason for denial, and shall cite the specific section of this policy, County Code, or state or federal law that prohibits county payment. Any exception granted by the Board is to be applied on a case-by-case basis and does not set precedent for future claims or policy, unless the Board of Supervisors has formally adopted it.

FINANCIAL IMPACT:

The per diem rates have remained unchanged. Section VII - Special Circumstances authorizes up to \$1,000 per candidate for expenses related to recruiting a department head or essential position. Special Circumstances expenses will be incurred by the department, and should occur infrequently during the year. The review process will include ensuring departments have sufficient funding for Special Circumstances expenses. Approving this policy will ensure the county has an Accountable Plan for IRS purposes and will allow employees to receive county payment and not report it as taxable income. Approving the policy will also likely speed up county payment and significantly reduce the number of rejected claims.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by investing in county employees .

OTHER AGENCY INVOLVEMENT:

All county departments

ALTERNATIVES TO STAFF RECOMMENDATIONS:

1. Not approve the proposed policy and ordinance. This option is not recommended as the policy and ordinance as written lacks clarity and delegated authority needed to effectively provide county services and payment.

2. Board discretion.

ATTACHMENTS:

- 1. Redline version of Expense and Reimbursement Policy
- 2. Proposed Expense and Reimbursement Policy Clean Version
- 3. Proposed Expense Ordinance Redline section of county code Title II relating to Expenses
- 4. Proposed Expense Ordinance Clean Version
- 5. Summary for publication before adoption
- 6. Summary for publication after adoption
- 7. Resolution # Adopting an Updated Expense and Reimbursement Policy

PREVIOUS ACTION/REFERRAL:

Board Order No.: I-2; C-2 Meeting of: March 27, 2018; May 8, 2017 File No.: 18-219;