



Monterey County

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Board Report

Legistar File Number: 18-1105

November 06, 2018

Introduced: 10/31/2018

Version: 1

Current Status: Agenda Ready

Matter Type: General Agenda Item

Approve a revised Travel and Business Reimbursement Policy

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Approve a revised Travel and Business Reimbursement Policy

SUMMARY:

Supervisor Alejo submitted Referral 2018.16 requesting that the Travel and Business Expense Policy be modernized and updated. The Policy was last revised in 2012.

DISCUSSION:

County employees frequently incur business expenses that should be reimbursed. These expenses include travel costs and meals associated with business meetings, legislative activities, litigation, conferences, training, and other County business related activities. These events occur within Monterey County, across California and outside of California. Meanwhile, the Auditor-Controller's Office is faced with the unenviable task of enforcing the travel rules and deciding when discretion is appropriate or if strict adherence should be followed. The proposed revisions try to balance appropriate use of taxpayer funds, the right of employees to be reimbursed for business expenses and creating a policy that can be implemented without too many disputes.

Many disputes arise because the current policy tries to track the requirements for Federal employees, with little flexibility. The Federal Government has rates for meals, lodging and mileage that Federal employees must follow. However, often Federal rates are not available or their time restrictions are not workable or pose a safety issue. The IRS regulations require the County to follow three guidelines to be considered "Accountable Plans" and have business expense reimbursement be tax free.

Accountable plans must have the following three requirements:

1. Travel must be business related.
2. Traveler must substantiate the expenses within a reasonable period.
3. Any excess payments must be reimbursed to the employer.

Otherwise, significant flexibility is available to meet our business needs, be economical and qualify as Accountable Plan. Accountable plans may allow for reimbursement at actual costs if the above requirements are met. IRS regulations allow Federal agencies to reimburse for actual cost when:

- a. Lodging and/or meals are procured at a prearranged place such as a

- hotel where a meeting, conference or training session is held;
- b. Costs have escalated because of special events (e.g., missile launching periods, sporting events, World's Fair, conventions, natural or manmade disasters); lodging and meal expenses within prescribed allowances cannot be obtained nearby; and costs to commute to/from the nearby location consume most or all of the savings achieved from occupying less expensive lodging;
- c. The location is subject to a Presidentially-Declared Disaster and your agency has issued a blanket actual expense authorization for the location (see §301-70.201);
- d. ***Because of mission requirements; or***
- e. ***Any other reason approved within your agency.***

The attached policy is drafted to meet the requirements for Accountable plans so that employees are reimbursed for appropriate business expenses and are not taxed on the reimbursements. The Policy encourages employees to be economical by utilizing Federal rates, government rates for meals and lodging but includes flexibility when such rates are not available and business needs warrant actual expense reimbursement. In addition, the Policy accommodates unique circumstances where it may be unwise or unsafe not to stay overnight. Finally, the CAO is responsible for resolving any disputes, County Counsel provides legal interpretations and the Policy can be amended by the CAO if County Counsel opines that modification is needed to comply with law.

OTHER AGENCY INVOLVEMENT:

The County Administrative Office provided one comment that was incorporated. The Office of the Auditor-Controller (ACO) proposed changes to the lodging section which does not address all limitations of the current policy, such as Conference Center events, but does have a catch-all section for exceeding the Federal rate if “the most economical reasonable” rate is obtained. It is not clear who determines the most economical reasonable rate. Language is included in the proposed update to address this situation. Otherwise, the ACO recommends “no changes to the content of the policy.” The ACO states that the proposed update has “tax law implication” but does not provide any examples or suggested fixes. We have reviewed the update and applicable tax law and consulted a tax attorney for tax law and Labor Code compliance. If changes are needed in the future to comply with law, the policy grants authority to the CAO.

FINANCING:

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The updated policy should make travel claims more efficient. Currently, departments and the Auditor-Controller spend substantial time debating compliance.

Mark a check to the related Board of Supervisors Strategic Initiatives

- ☐ Economic Development
- ☒ Administration
- ☐ Health & Human Services
- ☐ Infrastructure
- ☐ Public Safety

Prepared Charles J. McKee, County Counsel-Risk Manager

Date

Approved by: Charles J. McKee, County Counsel-Risk Manager

Date

Attachments:

2012 Travel & Business Expense Reimbursement Policy

Redline of 2012 Travel & Business Expense Reimbursement Policy

Revised November 2018 Travel & Business Expense Reimbursement Policy