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AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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November 21, 2023

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

17 November 21, 2023

CELIA ZAVALA
EXECUTIVE OFFICER

Dear Supervisors:

**APPROVAL OF REVISED BOARD POLICY 4.095 – INCIDENTAL EXPENSE POLICY
(ALL DISTRICTS - 3 VOTES)**

SUBJECT

Recommendation to approve the revisions to Board of Supervisors (Board) Policy 4.095, Incidental Expense Policy.

IT IS RECOMMENDED THAT THE BOARD:

Approve the attached revised Board Policy 4.095, Incidental Expense Policy (Policy).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On January 7, 2020, your Board approved the Policy, which redefined incidental expenses with updated spending limits that tiered on a per-occurrence and annual basis and are based on department/agency business needs and their size. The Policy also established greater transparency by requiring department heads to certify how incidental expense funds are used and requires that the Auditor-Controller (A-C) prepare quarterly reports for the Audit Committee, and annual reporting to your Board.

We reviewed the Policy and adjusted the incidental expense tier limits based on changes to the National Consumer Price Index, added language to allow the A-C to approve or change tier assignments, removed the list of departments with assigned tiers to allow the A-C to maintain the list, changed the A-C's reporting to the Audit Committee from quarterly to semi-annually, revised language to clarify the incidental expense definition, and extended the sunset review date to

November 21, 2027.

The Audit Committee approved the recommended revisions to the Policy (Attachment) on September 20, 2023.

Implementation of Strategic Plan Goals

Approval of the revised Policy supports Strategy III.3 of the County's Strategic Plan, Pursue Operational Effectiveness, Fiscal Responsibility, and Accountability; and continues to provide County departments with consistent procedures for certifying the use of incidental expense funds, reporting and recording of those charges, and allows for increased efficiency in reporting.

FISCAL IMPACT/FINANCING

The continued adherence to the revised policy will ensure compliance with authorized spending limits, maintains appropriate stewardship of public funds, and ensures public resources are deployed in a prudent and cost-effective manner.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On March 19, 2019, the Board instructed the A-C to report back to the Board with recommended changes for a Countywide standard for incidental expenses. The A-C collaborated with the Chief Executive Office and Audit Committee to review the County's incidental expense policy (previously codified in County Code Section 5.40.097 and County Fiscal Manual 4.9.0) and determine whether any changes could be made to provide departments with greater clarity and accountability when incurring incidental expenses and reduce Board administrative tasks, while maintaining an appropriate level of the incidental expense oversight and transparency. Incidental expenses exceeding \$500 per occurrence and \$5,000 annually required Board approval.

On October 16, 2019, the A-C reported back to the Board on their analysis of the incidental expense policy with recommendations including refining the definition of incidental expenses to limit use, establishing tiered incidental expense limits, assigning to the A-C's Disbursement Division the authority to approve requests to exceed per-occurrence limits (but not the annual limits), and coordinate with County departments to issue an annual report to the Board on department incidental expense use. On January 7, 2020, your Board adopted the Policy.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The revised Policy continues to establish uniform guidelines for limited spending, maintaining appropriate stewardship over public funds and ensuring accountability over prudent and cost-effective use of public resources. Therefore, no impact on current services is anticipated.

The Honorable Board of Supervisors
11/21/2023
Page 3

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Oscar Valdez', with a stylized flourish at the end.

OSCAR VALDEZ
Auditor-Controller

OV:CY:NP:ac

Enclosures

c: Fesia A. Davenport, Chief Executive Officer
Celia Zavala, Executive Officer, Board of
Supervisors
Dawyn R. Harrison, County Counsel
Audit Committee
Countywide Communications



Los Angeles County BOARD OF SUPERVISORS POLICY MANUAL

| Policy #: | Title: | Effective Date: |
|-----------|--------------------|-----------------|
| 4.095 | Incidental Expense | 01/07/2020 |

PURPOSE

Provide Los Angeles County (County) departments with guidance and clarity regarding incidental expenses, maintain an appropriate level of incidental expense oversight and transparency, and deploy public resources in a prudent and economical manner.

REFERENCE

January 7, 2020, [Board Order No. 6](#)

October 16, 2019 Auditor-Controller Report - " [Incidental Expense Policy Review](#) "

March 19, 2019, [Board Order No. 31 \(Amendment\)](#)

December 21, 2021, [Board Order No. 17](#)

POLICY

The Incidental Expense ~~is~~ Policy (Policy) is applicable to all County departments and agencies governed by the Board of Supervisors.

This Policy defines ~~It is the County's incidental expenses policy to allow departments to purchase as:~~

- Meals, food, and non-alcoholic beverage items
- provided for to County employees
- -for meetings, conferences, and events (e.g., training); and
- -deemed necessary by the Department Head to support their department's mission (Incidental Expense Policy).

For expenses to be allowed under this Policy, all the above criteria must apply with no exception.


The Incidental Expense Policy establishes maximum purchasing limits on a per occurrence

and annual basis (Table 1). These limits apply to purchases for the consumption of meals, food, and non-alcoholic beverages by permanent and temporary employees only.

Table 1 — Incidental Expense Tiers*

| Incidental Expense Tier | Annual Limit | Per-Occurrence Limit |
|-------------------------|----------------------------|----------------------------|
| 1 | \$11,500 10,000 | \$1,100 1,000 |
| 2 | \$28,500 25,000 | \$5,700 5,000 |
| 3 | \$57,000 50,000 | \$11,400 10,000 |

| Tier 1 | |
|---|--|
| Agricultural Commissioner/Weights and Measures | County Counsel |
| Alternate Public Defender | Human Resources |
| Animal Care and Control | Medical Examiner-Coroner |
| Arts and Culture | Military and Veterans Affairs |
| Auditor-Controller | Museum of Art |
| Beaches and Harbors | Museum of Natural History |
| Chief Executive Office | Regional Planning |
| Consumer and Business Affairs | Treasurer and Tax Collector |
| Tier 2 | |
| Assessor | Parks and Recreation |
| Child Support Services | Public Defender |
| County Library | Registrar-Recorder/County Clerk |
| Executive Office, Board of Supervisors | Workforce Development, Aging and Community Services |
| Internal Services | |
| Tier 3 | |
| Children and Family Services | Probation |
| Development Authority | Public Health |
| District Attorney | Public Social Services |
| Fire | Public Works |
| Health Services | Sheriff |
| Mental Health | |

*Tiered incidental expense limits will be indexed to inflation and periodically adjusted, as recommended by the Auditor-Controller based on changes to the National Consumer Price Index and upon approval by the Audit Committee during sunset review of this Policy. 

~~addition, other departments or agencies may be included, as necessary.~~

Tier Assignments and Changes

The Auditor-Controller shall have the authority to approve and change tier assignments. The Auditor-Controller shall maintain the list of departmental tier assignments and update department name changes as needed. Department Heads may request a tier reassignment by submitting an original signed request to the Auditor-Controller with justification for the change. For tier changes or new department tier assignments, the Auditor-Controller shall notify the Audit Committee when it has made those changes.

Accountability

Department Heads must approve and ensure incidental expenses are reasonable and necessary, maintain appropriate stewardship of public funds, and deploy limited public resources in a prudent and cost-effective manner. In addition, departments are prohibited from using public funds to purchase items for holiday parties and celebrations for individuals such as birthdays and retirements.

The Auditor-Controller developed comprehensive County policies (CFM Section 4.9.0) and procedures to ensure that Incidental Expense disbursements are made in accordance with this Policy.

Exceptions

Per-occurrence Exceptions: Department Heads may request exceptions to the per-occurrence incidental expense limit by submitting an original signed request to the Auditor-Controller, utilizing the exception form included in the policies and procedures provided by the Auditor-Controller. Departments must ensure the Auditor-Controller has approved the increase prior to committing the department's use of the requested limit increase.

Annual Limit Exceptions: ~~Any Departments may~~ requests for exceptions to the annual ~~incidental Expense~~ limit ~~by submitting must be submitted via~~ Board Letter to the Board of Supervisors for approval. ~~Departments~~ are responsible for ensuring eligible ~~incidental Expenses~~ are recovered in accordance with relevant grants or other revenue sources. However, recovering these expenses from other revenue sources in no way increases the limits set-forth in Table 1.

Reporting

Quarterly, Department Heads must report to the Auditor-Controller the dollar amount and purpose of incidental expenses and certify that they were used in a prudent and cost-effective manner and in accordance with the policies and procedures referenced above. A Department Head may delegate the certification to a designee at the level of Chief Deputy or Administrative Deputy, if the Department Head has approved all Incidental Expense events in advance. ~~The Auditor-Controller will compile the information and report on department incidental expense use to the Audit Committee~~ quarterly-semi-annually and to the Board of Supervisors annually.

RESPONSIBLE DEPARTMENT

Auditor-Controller

DATE ISSUED/SUNSET DATE

| | |
|---|--|
| Issue Date: January 7, 2020 | Sunset Date: January 7, 2022 |
| Reissue Date: December 21, 2021 | Sunset Date: December 21, 2023 |
| <u>Reissue Date: November 21, 2023</u> | <u>Sunset Date: November 21, 2027</u> |