



ALAN T. SASAKI  
AUDITOR-CONTROLLER

# 6  
COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER

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August 12, 1997

TO: All Department and District Heads

FROM: Alan Sasaki  
Auditor-Controller

David E. Janssen  
Chief Administrative Officer

SUBJECT: **Administrative Policy on Interdepartmental  
Billing and Arbitration**

The Board of Supervisor's approved an October 11, 1996, report by a task force convened by the Auditor-Controller to study countywide billing policies and other related issues. Based on this report, we are revising the Interdepartmental Billing and Arbitration Policy issued in August 1990. The most significant changes are the elimination of the arbitration penalty provisions, the mandated use of the CAPS Internal Voucher billing process, required compliance with OMB A87 regulations, and the need for billing adjustments to be made during the year. This revised policy also holds both the service provider and the requester jointly responsible for ensuring that the appropriate amount for services is encumbered and adjusted as necessary during the year.

The following Administrative Policy on Interdepartmental Billing and Arbitration is to be implemented effective with Fiscal Year 1997-98 billings.

- Encumbering Departmental Services – Departmental services should be encumbered at the beginning of the fiscal year to ensure that budgeted funds are reserved for their intended purpose. The service provider should not provide services without a pre-approved encumbrance. The requester is primarily responsible, with the provider's assistance, for ensuring that the appropriate amount is encumbered and adjusted as necessary during the year. If there is a disagreement regarding the encumbered amount, the CAO budget analyst for each department should be immediately notified for resolution of the issue. Departments receiving services should obtain budget adjustments during the year when appropriations are insufficient to pay for services ordered from another department. Failure to obtain funding will not release the requester department from its obligation to pay for services ordered.

- Billing Time Frame - Departments rendering service must bill departments who received services within 60 days following the end of the month in which service was provided or within 60 days of receiving vendor invoices, whichever is later. Charges submitted in excess of 60 days are uncollectible, unless the receiving department agrees to accept the charges. Unless the servicer and requester departments mutually agree to some other format, billings must at a minimum identify the type of service, units of service, unit cost, period of service, current month and year-to-date charges, and a description of the service provided. The CAPS Internal Voucher process must be used for billing and the 60 day time frame adhered to unless otherwise pre-approved by the Auditor-Controller.
- Acceptance of Charges - The requester department has 30 days from receipt of billing information to accept or reject charges. If the charges are rejected, the requester department must give written notice to the Auditor-Controller Accounting Division and the provider department. Rejection letters must be signed by someone at the head financial officer level or higher. Persons authorized to reject charges must be named in writing by each department and filed with the Auditor-Controller's Accounting Division. The Auditor-Controller will automatically process charges that the requester department has not acted upon within the 30 day period.
- Disputes / Arbitration - The Auditor-Controller will notify the department head of both parties using the attached form and provide 15 days to reach agreement on the rejected charges. After the 15 day period has expired without such agreement, the Auditor-Controller will transmit the rejected charges information to the Arbitration Committee for resolution. Statements in writing from the affected departments will also be transmitted if received by the end of the 15 day period.
- Billing Adjustments - Departments that provide services will normally experience either over-recovery or under-recovery of their actual costs unless they process billing adjustments during the year. In order to accurately recover costs, provider departments must reconcile billings versus costs periodically throughout the fiscal year and, at a minimum, process adjustments as of December 31, March 31, and the end of each year. The Auditor-Controller will work with large service providers to develop plans detailing at what level (type of service) adjustments must be made. These adjustments, consisting of either rebates (refund of charges in excess of costs) or surcharges, must be calculated proportionately based on the ratio of actual billings to costs.

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- OMB A-87 Compliance – All charges must be in compliance with the federal Office of Management and Budget (OMB) regulation A87, Cost Principles for State, Local and Indian Tribal Governments. Departments must also maintain adequate cost accounting data to support the accuracy of their charges, and their accounting system should record revenues and expenditures at the lowest practical organization level (usually division) within the department.
- ISD/DPW Fixed Fee Billings – Requesters may continue to make fixed fee billing arrangements for work performed by ISD and/or DPW. The pre-arranged amount billed must be based on reasonable estimates of cost.
- Final Month Charges – Delivery of final month billings must be submitted to the requester department and the Auditor-Controller Accounting Division in accordance with the annual closing instructions. Rejection of final month billings must adhere to general guidelines except that the time frames will be specified in the annual closing instructions.

It is hoped that this policy will help make the billing process more equitable and efficient for all departments. Thank you for your cooperation. If you have any questions regarding this policy, please contact Patrick McMahon, Chief, Auditor-Controller Accounting Division, at (213) 974-8321.

Attachment

DEJ:AS

c: Administrative Deputies

TO: Department Head (department providing service)  
Department Head (department requesting service)

FROM: Alan Sasaki  
Auditor-Controller

SUBJECT: NOTIFICATION OF REJECTED CHARGE

The attached invoice for \$\_\_\_\_\_ has been rejected.

If this matter is not resolved within 15 days, it will be referred to the Arbitration Committee for final disposition.

To report the outcome of this dispute, a copy of this form should be completed by your chief financial officer and returned to the Chief, Accounting Division, Auditor-Controller prior to the close of business on the final response date. (A copy should also be provided to the other department involved in the dispute.)

Final Response Date: \_\_\_\_\_

Check one:

\_\_\_\_\_ This issue does not require arbitration and has been resolved as follows: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ This issue has not been resolved or has only been partially resolved and requires arbitration. If partially resolved, the amount which requires arbitration is \$\_\_\_\_\_.

Authorized Signature \_\_\_\_\_

Date \_\_\_\_\_