

Item 7
File 11-0583

Department:
Treasurer

EXECUTIVE SUMMARY

Legislative Objective

- Ordinance amending Section 10.82 of the City's Administrative Code to (a) eliminate the existing Citywide Treasurer's Cash Difference Fund and Overage Fund; (b) authorize the Controller to establish a new Cash Difference and Overage Fund for the use of any county officer or department head or judicial district handling judicial funds; (c) authorize the Controller to increase, reduce, or discontinue such Cash Funds; (d) require any county officer or department head using such Cash Funds to report at least annually to the Controller; and (e) require the Controller to annually report to the Board of Supervisors regarding such Cash Funds.

Key Points

- The Cash Difference and Overage Fund is used as a petty cash fund into which departments (a) deposit excess cash received (cash overages), and (b) withdraw funds to meet cash shortages.
- According to the existing Administrative Code, City departments that receive and disburse cash are required to report any overages or shortages to the Treasurer's Office on a daily basis. The Treasurer, with approval from the Controller's Office, is then authorized to provide the amount of the City department's cash shortages from the City Treasury and deposit any overage funds into the City's Treasury.
- While City departments are required to report to the Treasurer's Office any cash differences on a daily basis, some City departments do not currently comply with this requirement.

Fiscal Impact

- The proposed ordinance should reduce individual City department paperwork by allowing departments to report their cash overages or shortages on an annual, or more frequent basis, as determined by the Controller's Office, instead of reporting on a daily basis.
- Under the proposed ordinance, City departments would no longer report overages and shortages to the Treasurer's Office and, instead, would report to the Controller's Office. Because the Controller's Office will assume all responsibilities for administering the Cash Difference and Overage Fund, the Controller's Office will need to establish procedures on how the Cash Difference and Overage Fund will be monitored and establish a process for addressing individual City department requests for funds. Developing such procedures will initially require additional Controller staff time, but can be absorbed within the Controller's existing budget.

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT & BACKGROUND

Mandate Statement

Charter Section 2.105 provides that all legislative acts in San Francisco be by ordinance, approved by a majority of the Board of Supervisors.

Background

San Francisco Administrative Code Section 10.82 provides for a Cash Difference and Overage Fund, a petty cash fund into which departments can (a) deposit excess cash received, and (b) withdraw funds needed to meet cash shortages. According to the City's Administrative Code, departments that receive and disburse cash must report any overage or shortage to the Treasurer on a daily basis. The City departments currently authorized to use the Cash Difference and Overage Fund include the Office of the Treasurer and Tax Collector, Municipal Transportation Agency, Superior Court, Assessor, Police Department, Public Utilities Commission's Customer Service Bureau, Department of Public Health, and Department of Animal Care and Control.

According to Ms. Pauline Marx, Chief Assistant Treasurer of the Treasurer's Office, some departments have not complied with reporting cash overages and cash shortages to the Treasurer's Office on a daily basis as is currently required. According to a review of the Statement of Cash and Investments of the Office of the Treasurer conducted by the Controller's Office in March, 2007 (See Attachment), the failure of some City departments to report such daily cash differences to the Treasurer's Office is partially because various City departments maintain their own unauthorized petty cash funds. In those cases, departments use their unauthorized petty cash funds to reconcile any overages or shortages from daily transactions and only report shortages to the Treasurer's Office when they do not have sufficient surplus funds to cover their cash shortages.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend Section 10.82 of the City's Administrative Code to:

- 1) Eliminate the existing Citywide Treasurer's Cash Difference Fund and Overage Fund;
- 2) Authorize the Controller to establish a new Cash Difference and Overage Fund for the use of any county officer or department head;
- 3) Authorize the Controller to increase, reduce, or discontinue the Cash Difference and Overage Fund;
- 4) Require any county officer or department head to report to the Controller's Office, instead of the Treasurer's Office, at a minimum of once per year, as to any cash overages or shortages pertaining to department petty cash funds; and
- 5) Require the Controller to annually report to the Board of Supervisors regarding the Cash Difference and Overage Fund.

FISCAL IMPACT

Under the proposed ordinance, the new Cash Difference and Overage Fund will reduce individual City departmental paperwork by allowing departments to report to the Controller's Office on at least an annual basis, rather than report to the Treasurer's Office on a daily basis. According to Ms. Marx, the fiscal impact of the proposed ordinance would be minimal. For those City departments complying with the current daily reporting requirement, the proposed ordinance should reduce departmental paperwork and result in some staff time savings.

According to Ms. Elisa Sullivan, Audits Manager in the Controller's Office, because the Controller's Office will assume all responsibilities for administering the new Cash Difference and Overage Fund, the Controller's Office will experience an initial increase in administrative costs, although such costs will be absorbed within the Controller's existing budget. The Controller's Office will initially need to establish procedures on how the Cash Difference and Overage Fund will be monitored and establish a process for addressing individual department requests for monies used from the Cash Difference and Overage Fund.

RECOMMENDATION

Approve the proposed ordinance.



Harvey M. Rose

cc: Supervisor Chu
Supervisor Mirkarimi
Supervisor Kim
Supervisor Wiener
President Chiu
Supervisor Avalos
Supervisor Campos
Supervisor Cohen
Supervisor Elsbernd
Supervisor Farrell
Supervisor Mar
Clerk of the Board
Cheryl Adams
Controller
Greg Wagner

**Review of the Statement of Cash and Investments for the Quarter Ended March 31, 2007
Recommendation on Cash Difference Funds:**

The processing of departmental cash differences by the Treasurer, described in San Francisco Administrative Code, Section 10.82, is inefficient and ineffective, and should be changed to reflect the process in the California Government Code, Section 29370, which allows county departments to have their own cash difference funds. Currently, the Treasurer is charged with maintaining one cash difference fund for approximately ten departments or offices. When these departments submit their revenues to the Treasurer's cashier, the Treasurer must make up any difference in collection of revenues from its cash difference fund. However, these departments report their overages and shortages to the Treasurer periodically, not daily as the Administrative Code requires. This occurs because some departments maintain their own unauthorized cash funds and only report shortages if they do not have enough overages to cover the shortages. There is no formal oversight of these unauthorized cash funds, which increases the risk of theft. Finally, although the authorized amount of the cash difference fund is \$1,500, the Treasurer does not maintain that amount in its fund because it commingles the funds by using its overages to replenish its shortages and does not request replenishments from the general fund unless the overage fund is depleted.

The Treasurer and Controller should initiate a change to the Administrative Code to reflect the provisions of the Government Code on cash difference funds. This would allow the Controller, by resolution of the Board of Supervisors, to establish, monitor, increase, reduce, or discontinue departments' cash difference funds. If the Board of Supervisors agrees to delegate this authority to the Controller, the Controller would submit a written report to the Board of Supervisors at the end of each fiscal year identifying the cash difference funds in existence during the fiscal year, the amount of those funds, and the department using the fund.