

File No. 110583

Committee Item No. 7

Board Item No. 16

### COMMITTEE/BOARD OF SUPERVISORS

#### AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: July 27, 2011

Board of Supervisors Meeting

Date 8/2/11

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/>            | Motion                                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Resolution                                   |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ordinance                                    |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget & Legislative Analyst Report          |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Ethics Form 126                              |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Introduction Form (for hearings)             |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/>            | <input type="checkbox"/>            | MOU  |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Budget                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Subcontract Budget                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Contract/Agreement                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Award Letter                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Application                                  |

#### OTHER

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Completed by: Victor Young

Date: July 22, 2011

Completed by: Victor Young

Date: 7-28-11

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Administrative Code - Cash Difference and Overage Funds]

2  
3 Ordinance amending the San Francisco Administrative Code Section 10.82 to: 1)  
4 authorize the Controller to establish cash difference and overage funds for the use of  
5 any county officer or department head or judicial district handling judicial funds; 2) to  
6 increase, reduce, or discontinue the funds; 3) require any county officer or department  
7 head using such funds to report to the Controller; and 4) require the Controller to  
8 annually report to the Board of Supervisors regarding the cash difference and overage  
9 funds.

10 Note: Additions are single-underline italics Times New Roman;  
11 deletions are ~~strikethrough italics Times New Roman~~.  
12 Board amendment additions are double underlined.  
Board amendment deletions are ~~strikethrough normal~~.

13 Be it ordained by the People of the City and County of San Francisco:

14 Section 1. The San Francisco Administrative Code is hereby amended by amending  
15 Section 10.82 to read as follows:

16 **SEC. 10.82. "CASH DIFFERENCE ~~FUND~~" AND "OVERAGE FUND."**

17 ~~"Cash Difference Fund" Created. There is hereby created a "Cash Difference Fund."~~

18 ~~"Overage Fund" Created. There is hereby created an "Overage Fund," in which all cash~~  
19 ~~overages shall be deposited.~~

20 (a) "Cash Difference and Overage Fund" The Controller shall create a "Cash Difference and  
21 Overage Fund" for the use of any county officer or the administrative head of any county department or  
22 judicial district handling judicial funds into which all cash shortages and overages shall be deposited.

23 (b) Regulation of Cash Difference and Overage Fund. The Controller may increase, reduce,  
24 or discontinue any Cash Difference and Overage Fund. The Controller may issue regulations  
25 regarding management and reporting of such funds.

1           ~~*Drawing Warrants; Use to Eliminate Cash Deficits Only.*~~ *The Controller is hereby authorized*  
2 *and he or she shall draw a warrant in favor of the Treasurer for such amounts as may be appropriated*  
3 *for this purpose. The Treasurer shall use such funds only to eliminate cash deficits as herein provided.*

4           **(c) Reports of Cash Deficits and Overage.** Any officer or employee of the in any county  
5 office, or departments, or officers enumerated herein, or judicial district in which a Cash Difference  
6 and Overage Fund has been created, who receives and disburses money placed in his or her  
7 custody as directed by law or by official authority, shall ~~rendersubmit~~ a written report, through  
8 his or her respective department head, to the ~~Treasurer~~ Controller at the close of each business  
9 day, a frequency to be determined by the Controller, but at least annually, setting forth the exact  
10 sum of any cash deficit or overage in his or her account for that ~~day~~ reporting period. Failure to  
11 report ~~anyon the~~ cash deficit or overage ~~at the close of the business day in which it occurred as~~  
12 required by the Controller is a violation of this Section.

13           ~~*Elimination of Deficit*~~ **(d) Recordation of Deficit.** When a cash deficit is reported to the  
14 ~~Treasurer~~ Controller, as herein provided, ~~he or she shall provide the amount required to eliminate~~  
15 ~~such cash deficit; provided, that the amount thereof shall not exceed the amount available in the Cash~~  
16 ~~Difference Fund.~~ the Controller shall direct how to record and report such cash deficit.

17           **Deposits of Overage.** **(e) Recordation of Overage.** When an overage is reported to the  
18 ~~Treasurer~~ Controller, ~~the amount thereof shall be immediately deposited in the Cash Overage Fund in~~  
19 ~~the Treasury. The balance in the Cash Overage Fund at the end of the fiscal year shall revert to the~~  
20 ~~General Fund.~~ the Controller shall direct how to record and report such cash overage.

21           **Reports and Statements.** **(f) Reports to the Board of Supervisors.** ~~On or before the 10th day of~~  
22 ~~each calendar month the Treasurer shall file with the Board of Supervisors and the Controller a~~  
23 ~~statement covering the preceding calendar month, itemizing each cash deficit as to amount, date of~~  
24 ~~occurrence and the name and civil service classification of each person whose account was reimbursed~~  
25

1 ~~from the Cash Difference Fund, together with any additional information as may be required by the~~  
2 ~~Board of Supervisors or by the Controller~~

3 ~~\_\_\_\_\_ The statement shall likewise itemize each item of overage occurring in the same preceding~~  
4 ~~calendar month. The Controller shall submit a written report to the Board of Supervisors after the end~~  
5 ~~of each fiscal year identifying the Cash Difference and Overage Funds in existence during the fiscal~~  
6 ~~year, the amount of those funds, and the department using the fund. The Board of Supervisors may~~  
7 ~~require the Controller to give an account of the Cash Difference and Overage Funds at any other time.~~

8 ~~\_\_\_\_\_ Application of Section. This Section shall apply to the employees of the following: Treasurer's~~  
9 ~~office; Assessor's office; Tax Collector's office; Redemption Officer; the Clerk of the Trial Courts;~~  
10 ~~Police Department employees who are specifically assigned to the receiving of funds; Department of~~  
11 ~~Public Health, Bureau of Accounts, who are acting as cashiers; Office of Animal Care and Control;~~  
12 ~~Department of Parking and Traffic; The Public Utilities Commission Customer Service Bureau.~~

13 ~~Treasurer's Disallowance of Deficits. The Treasurer, for good reason, may return disallowed~~  
14 ~~any deficit report. Such disallowed report may be referred to the Board of Supervisors for its~~  
15 ~~determination.~~

16 ~~Rules and Regulations. (g) Administration of this Section. The Treasurer/Controller shall~~  
17 ~~establish rules and regulations for the administration of the purposes of this Section. Before~~  
18 ~~issuing or amending any rules or regulations, the Treasurer shall provide a 30 day public comment~~  
19 ~~period by providing published notice in an official newspaper of general circulation in the City of the~~  
20 ~~intent to issue or amend the rules or regulations.~~

21 **APPROVED AS TO FORM:**  
22 **DENNIS J. HERRERA, City Attorney**

23 **By:**

24   
25 **JEAN H. ALEXANDER**  
**Deputy City Attorney**

TREASURER  
BOARD OF SUPERVISORS

FILE NO.

## LEGISLATIVE DIGEST

[Administrative Code - Cash Difference and Overage Funds]

**Ordinance amending the San Francisco Administrative Code by amending Section 10.82 to 1) authorize the Controller to establish cash difference and overage funds for the use of any county officer or department head or judicial district handling judicial funds; to increase, reduce, or discontinue the funds; 2) require any county officer or department head using such funds to report to the Controller; and 3) require the Controller to annually report to the Board of Supervisors regarding the cash difference and overage funds.**

### Existing Law

Existing law, San Francisco Administrative Code, Section 10.82, creates a "Cash Difference Fund" and an "Overage Fund". Employees and officers who receive and disburse money must report any overage or deficit to the Treasurer daily. The Treasurer is authorized to provide the amount of the cash deficit from the Treasury or to deposit the overage into the Treasury. The Controller issues a warrant in favor of the Treasurer for amounts appropriated for this purpose.

### Amendments to Current Law

This ordinance amends Administrative Code, Section 10.82 as follows:

1. Eliminates the "Cash Difference Fund" and the "Overage Fund" and instead creates a "Cash Difference and Overage Fund" for any department requiring one.
2. Authorizes the Controller to manage the fund and to increase, reduce, or discontinue it.
3. Requires any county officer, department head or judicial officer to report cash differences and overages to the Controller as directed, rather than daily.
4. Requires the Controller to issue regulations for the administration of the fund and to report annually to the Board of Supervisors.

### Background Information

The current requirements for "cash difference" and "overage" funds held with the Treasurer are administratively burdensome and antiquated. The proposed ordinance eliminates the consolidated fund held by the Treasurer and replaces it with a decentralized approach, reduces departmental paperwork, and transfers oversight to the Office of the Controller, a more appropriate location for fund management. The legislation was drafted by the Office of the Treasurer-Tax Collector in collaboration with the Office of the Controller.

**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.

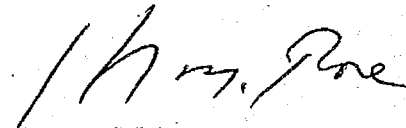
## FISCAL IMPACT

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.



June 10, 2011

Angela Calvillo, Clerk of the Board  
Board of Supervisors  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco, CA 94102-4689

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO  
2011 JUN 10 PM 4:27

Dear Ms. Calvillo:

Attached please find an original and four copies of proposed ordinance for Board of Supervisors approval, which amends the San Francisco Administrative Code by amending Section 10.82 to 1) authorize the Controller to establish cash difference and overage funds for the use of any county officer or department head or judicial district handling judicial funds; to increase, reduce, or discontinue the funds; 2) require any county officer or department head using such funds to report to the Controller; and 3) require the Controller to annually report to the Board of Supervisors regarding the cash difference and overage funds.

The following is a list of accompanying documents (five sets):

1. Legislative Digest
2. Ordinance

The following person may be contacted regarding this matter: Greg Kato (415) 554-6888

A handwritten signature in cursive script, appearing to read "Pauline Marx", written over a horizontal line.

Pauline Marx

Chief Assistant Treasurer