



Board Agenda Item 32

DATE: July 9, 2019

TO: Board of Supervisors

SUBMITTED BY: Oscar J. Garcia, CPA
Auditor-Controller/Treasurer-Tax Collector

SUBJECT: Administrative Policy 16 - Cash Shortages; Cash Manual; Resolution to Establish Cash Difference Funds and Overage Funds; Resolution for Procedure to Relieve from Shortages

RECOMMENDED ACTION(S):

1. **Approve revised Administrative Policy 16 - Cash Shortages to provide that departments are to follow the processes defined in the Cash Manual and clarify the responsibility of the Auditor-Controller/Treasurer-Tax Collector to maintain the Cash Manual.**
2. **Approve and Adopt Cash Manual to improve internal controls over cash handling.**
3. **Adopt a Resolution establishing cash difference funds and overage funds for the Auditor-Controller/Treasurer-Tax Collector, the Assessor-Recorder, the Clerk/Registrar of Voters, Probation, Public Health, and Public Works and Planning; delegating to the County Auditor authority to replenish cash difference funds and to transfer overage funds to the General Fund; and ratifying prior actions concerning accounts with comparable functions.**
4. **Adopt a Resolution updating the procedures to relieve County officers and employees of shortages in County funds in the absence of fraud or gross negligence and delegating to the County Auditor limited authority to replenish shortages of up to \$500 in County funds.**

Approval of the recommended actions will revise Administrative Policy 16; approve and adopt a Cash Manual; adopt "Resolution Establishing Cash Difference Funds and Overage Funds for Certain County Officers and Administrative Heads of County Departments, Delegating to the County Auditor Authority to Replenish Cash Difference and to Transfer Overage Funds to the General Fund, and Ratifying the Prior Actions Concerning Accounts with Comparable Functions" ("Cash Difference and Overage Fund Resolution"); and adopt "Resolution to Update the Procedure to Relieve County Officers and Employees of Shortages in County Funds in the Absence of Fraud or Gross Negligence and Delegate to the County Auditor Limited Authority to Replenish Shortages in County Funds" ("Shortage Relief Resolution").

ALTERNATIVE ACTION(S):

Your Board could choose to not approve the proposed Administrative Policy (AP) revision; the proposed Cash Manual; the Cash Difference and Overage Fund Resolution; or the Shortage Relief Resolution.

FISCAL IMPACT:

The fiscal impact associated with the recommended actions will fluctuate from year to year based on the amount of shortages qualifying for reimbursement and the amount overages.

DISCUSSION:

The Auditor-Controller/Treasurer-Tax Collector ("Auditor") has developed a Cash Manual for your review and approval. Once approved, this manual will be used Countywide in conjunction with departmental cash handling procedures. This manual is designed to prescribe uniform accounting and cash handling procedures for County departments pertaining to cash collections, checks and other negotiable instruments, cash revolving funds, cash difference funds, bank accounts, other cash funds, and cash overages, shortages, and losses, in accordance with laws regulations, County policies, and Generally Accepted Accounting Principles. In addition, the Cash Manual will help County departments improve internal controls over cash handling.

The overarching goal of this Cash Manual is to improve internal controls over cash handling.

The Cash Difference and Overage Fund Resolution provides for the establishment of cash difference funds for the following: \$100 Treasury; \$50 Tax Collector; \$50 Assessor; \$50 Recorder; \$25 Elections; \$25 Adult Services - Adult Offender Work Program (AOWP); \$25 Drug Suppression Unit (DSU); \$50 Juvenile Justice Campus - Business Office; \$100 Public Health Business Office; and \$100 Public Works & Planning Business Office. The same resolution also establishes an overage fund to correspond with each of those cash difference funds. If other County Departments determine a need for a cash difference fund and an overage fund, the Auditor-Controller/Treasurer-Tax Collector will review and authorize the department to return to your Board with an amended resolution.

A cash difference fund is used to increase the amount tendered to the County for the payment of any tax, assessment, penalty, cost, or interest which is due and owing to the County, if the difference between the payment and the amount due is \$10 or less. An overage account is used to collect excess amounts paid to the County on any tax, assessment, penalty, cost, or interest if the excess does not exceed \$10. Excess amounts greater than \$10 must be refunded to the person making the payment.

The ratification of prior actions is included in this proposed resolution because the County for many years has had accounts with functions comparable to cash difference funds and overage funds, but current staff have not been able to identify any prior Board resolutions containing the authorizations included in this proposed resolution.

The Shortage Relief Resolution if approved, will grant authority to the County Auditor to authorize the replenishment of qualifying shortages, in alignment with this proposed Resolution and the Cash Manual. The authority of the Auditor under this proposed resolution is limited to replenishing shortages of no more than \$500 for a single incident. The proposed resolution requires the Auditor to make a report annually, or whenever the Board directs, of shortage reimbursements made by the Auditor. For shortages of more than \$500 for a single incident, the Auditor would still investigate them, but the authority to decide whether to replenish them would remain with your Board.

Some prior Board resolutions contained authorizations similar or related to those contained in the proposed resolutions, but these proposed resolutions are updated to be in compliance with current procedures and changes in law. These proposed resolutions expressly supersede those prior Board resolutions.

The proposed amendment to Administrative Policy No. 16 provides that departments must follow the procedures defined in the Cash Manual for reimbursement of cash shortages, and clarifies that maintaining the Cash Manual is a responsibility of the Auditor.

REFERENCE MATERIAL:

BOS Item #17, February 10, 1987

BOS Item, September 13, 1983 - Revision to County Administrative Code Relating to Petty Cash, Change, and Postage Funds (Section 750)

BOS Item, October 4, 1977 - Resolution

BOS Item, July 6, 1971 - Request to establish, increase, or decrease petty cash, change funds, or postage

funds

BOS Item, July 6, 1971 - Resolution

BOS Item, September 16, 1969 - Resolution

BOS Item, December 8, 1959 - Resolution

ATTACHMENTS INCLUDED AND/OR ON FILE:

AP16 - Cash Shortages Red Line

AP16 - Cash Shortages Cash Manual

Cash Manual

Resolution for Cash Difference Funds and Overage Funds

Resolution for Relieve from Shortages

CAO ANALYST:

Debbie Paolinelli