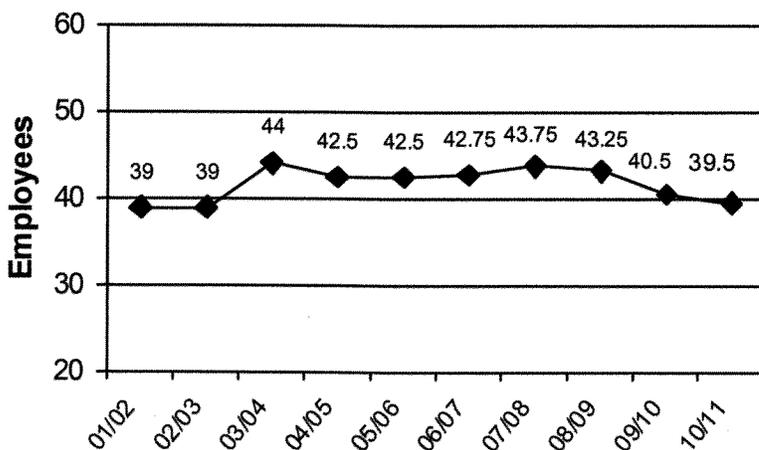


**MISSION STATEMENT**

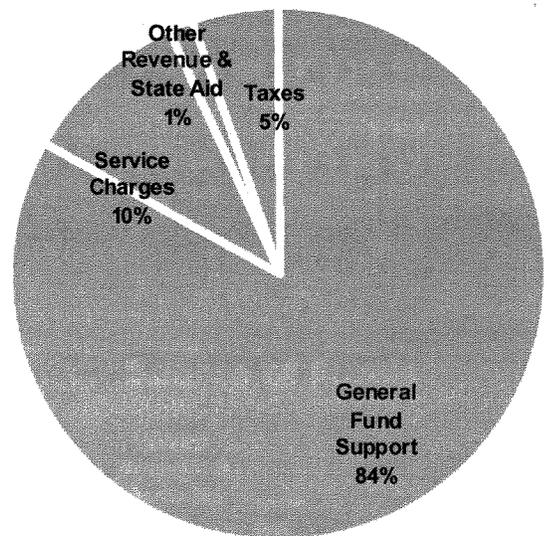
The Auditor-Controller is the Chief Accounting Officer for County Government. The office enhances the public's trust by acting as a guardian of funds administered for the County, cities, schools and special districts and by providing an independent source of financial information and analysis.

Financial Summary	2008-09	2009-10	2010-11	2010-11	2010-11
	Actual	Actual	Requested	Recommended	Adopted
Taxes	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Fines, Forfeitures and Penalties	0	7,849	0	0	0
Intergovernmental Revenue	3,859	25,109	29,500	29,500	29,500
Charges for Current Services	317,061	371,878	476,581	476,581	476,581
Other Revenues	38,138	12,632	32,300	6,300	6,300
Other Financing Sources	574,006	112,020	75,000	0	0
Interfund	30,000	30,000	30,000	30,000	30,000
<b>**Total Revenue</b>	<b>\$ 1,213,064</b>	<b>\$ 809,488</b>	<b>\$ 893,381</b>	<b>\$ 792,381</b>	<b>\$ 792,381</b>
Salary and Benefits	4,517,617	4,261,507	4,523,293	4,468,191	4,468,191
Services and Supplies	336,312	354,173	313,081	187,631	187,631
Other Charges	0	45,000	0	0	0
Fixed Assets	555,290	84,701	0	0	0
<b>**Gross Expenditures</b>	<b>\$ 5,409,219</b>	<b>\$ 4,745,381</b>	<b>\$ 4,836,374</b>	<b>\$ 4,655,822</b>	<b>\$ 4,655,822</b>
Less Intrafund Transfers	25,589	10,887	9,900	9,900	9,900
<b>**Net Expenditures</b>	<b>\$ 5,383,630</b>	<b>\$ 4,734,494</b>	<b>\$ 4,826,474</b>	<b>\$ 4,645,922</b>	<b>\$ 4,645,922</b>

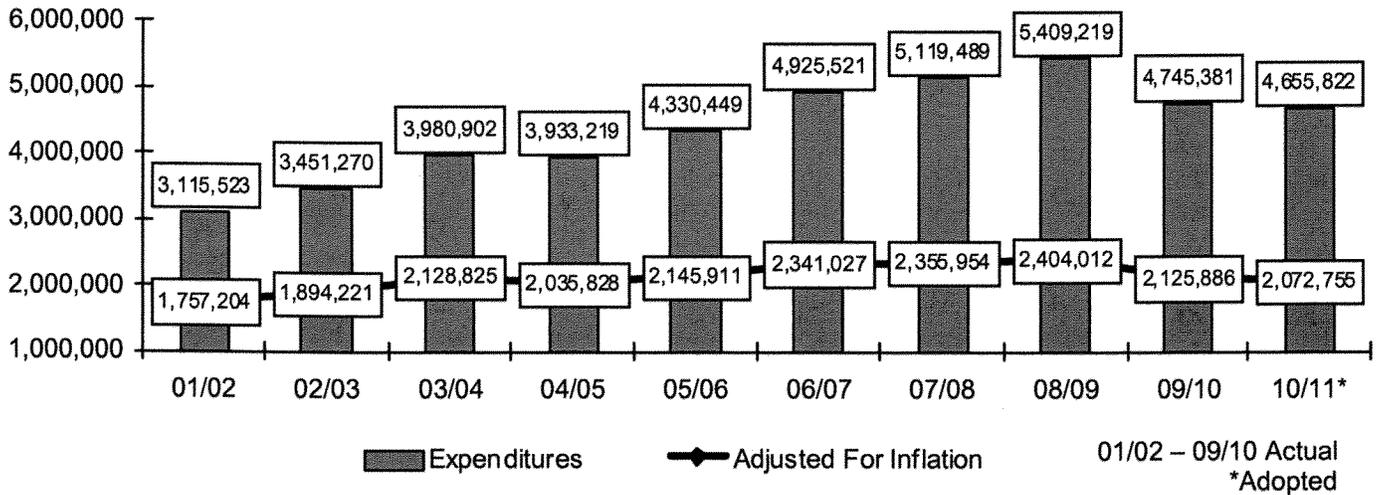
**Number of Employees  
(Full Time Equivalent)**



**Source of Funds**



**10 Year Expenditures Adjusted For Inflation**



**SERVICE PROGRAMS**

**Accounts Payable**

Pre-audit all claims for payments to vendors submitted by County departments and process payments for special districts. Coordinate payment activity with and provide oversight and direction to departments and vendors. Prepare annual reports required by the State and the Internal Revenue Service.

Total Expenditures: \$477,175 Total Staffing (FTE): 5.75

**Audit Division**

Perform mandated internal audits for compliance with State and Federal requirements. Ensure adequacy of internal controls over cash and County assets. Conduct management and compliance audits and departmental reviews. Audit the operations of public agencies doing business with the County to ensure compliance with policy; assist with the preparation of the County's annual financial statement.

Total Expenditures: \$767,878 Total Staffing (FTE): 6.25

**Budget and Cost Accounting**

Assist the County Administrator and Board of Supervisors in developing the proposed and final County budget. Analyze and forecast annual budget expenditures. Review all county fees. Conduct rate reviews for ambulance, landfill, and internal service fund operations. Prepare countywide cost allocations, state mandated program claims, indirect cost rate proposals and special reporting requests.

Total Expenditures: \$260,293 Total Staffing (FTE): 2.50

**Deferred Compensation Plan**

Provide the resources necessary for the daily operation of the County Deferred Compensation Plan.

Total Expenditures: \$35,000 Total Staffing (FTE): 0.00

**Financial Reporting**

Maintain accounting records for the County and those districts whose funds are kept in the County Treasury. Maintain budget and funds controls and records of fixed assets. Prepare annual financial reports and reports for Federal and State reimbursement; act as Auditor and/or Financial Officer for special districts, boards, authorities, etc. and provide accounting services for countywide debt financing.

Total Expenditures: \$703,746 Total Staffing (FTE): 5.00

**Mobile Home Rent Board Support**

Beginning in FY 2010-11, the oversight and support for the Mobile Home Rent Board ordinance and Board has been transferred to the Department of Planning and Building Department.

**Payroll Processing**

Prepare and process biweekly payroll for the County. Coordinate payroll activity with departments and employees. Prepare biweekly, monthly, quarterly, and annual reports for State, Federal, and local agencies. Collect and pay premiums for County-related health and insurance benefits.

Total Expenditures: \$980,913 Total Staffing (FTE): 8.75

**Property Tax Processing**

Calculate property tax rates and determine extensions. Process changes to the tax roll. Apportion and distribute taxes and special assessments to all agencies. Prepare tax reports. Implement procedural changes to reflect new legislation affecting the tax system. Advise cities, schools, and special districts on tax-related matters.

Total Expenditures: \$399,269 Total Staffing (FTE): 3.75

**Systems Support**

Evaluate existing manual accounting systems and make recommendations for improved efficiencies through automation. Maintain the countywide computerized financial, fixed asset, accounts payable, tax, and payroll systems. Assist departments in updating computerized systems. Provide training and prepare manuals related to accounting systems operations. Maintain operation of the Auditor's Local Area Network (LAN) and Personal Computer (PC) network.

Total Expenditures: \$1,031,548 Total Staffing (FTE): 7.50

**DEPARTMENT COMMENTS**

**Internal Business Improvements**

**FY 2009-10 Accomplishments:** Last year we completed an upgrade of the Integrated Document Management (IDM) System. IDM is used by the Auditor's Office to scan all accounts payable invoices for future electronic retrieval. The new system saves staff time and improves our efficiency since each invoice is assigned a bar code which eliminates the manual process of linking and indexing every attachment.

We streamlined preparation of the Comprehensive Annual Financial Report (CAFR) and County's Financial Transactions Report (CFTR) by eliminating spreadsheets and relying more on the County's Enterprise Financial System (EFS)'s functionality. Now staff enters all CAFR and CFTR entries directly in the system. This time saving change has freed up staff for other purposes.

**FY 2010-11 Major Focus:** We will be working with Information Technology (IT) staff to develop a process to post actual labor costs to the cost accounting module in the County's EFS system. Although the system uses actual labor costs for budgetary control, it uses estimated labor costs for cost accounting purposes. Consequently, departments often need assistance to reconcile the difference between actual labor charges and the estimated labor costs reflected in their projects. Posting actual labor costs will simplify project reporting and eliminate the need to monitor and adjust labor rates in the system.

We will also be focusing on a project designed to move the property tax system from the mainframe to another host platform now that more flexible and cost-effective alternatives to the mainframe are available. The process, known as "lift and shift", preserves existing business logic and involves very little source code modification. Our staff will work on the mainframe migration project with the assistance of consultants, IT, and both the Tax Collector and Assessor's offices. We anticipate savings of 50% to 70% by replicating the mainframe environment on a new, lower cost platform.

### **Finance**

**FY 2009-10 Accomplishments:** In October 2009, we received Board of Supervisors' approval to begin the process of establishing an irrevocable retiree health benefits trust fund to accumulate monies for retiree health benefits. County departments have been making contributions to the County's Other Post Employment Benefits Fund since FY 2007/2008. We anticipate that the new fund will be in place at the beginning of FY 2010/2011. If our earnings assumption is accurate, increased earnings by the new trust fund will result in employee benefit cost savings of approximately .5% to each county department and approximately \$700,000 per year countywide.

We were also responsible for identifying a previously untapped revenue source associated with parking violations. Legislation enacted in 1984 authorized the county to impose and collect additional penalties totaling \$5 for every parking citation issued within the county's boundaries. We estimate the revenue generated by the adoption of the added assessments will be \$250,000 per year.

**FY 2010-11 Major Focus:** We plan to increase the number of small contract audits our internal audit team conducts. The primary objective of these audits will be to examine compliance with the Contract Administration Handbook. Audit steps will involve verifying that contractors are reporting accurately, maintaining adequate accounting records, and providing service levels in compliance with contract requirements.

### **Customer Service**

**FY 2009-10 Accomplishments:** We completed a major technical upgrade to the County's EFS system in August 2009. As a result, the County will maintain its financial, payroll, and human resources software at a level that is fully supported by SAP. The upgrade also enables the County to benefit from new business and technical functionality as it becomes available.

In spring 2010, we completed program and configuration changes for a new flexible work schedule. The 9/80 schedule allows employees who work a nine hour day Monday through Thursday to take every other Friday off. Benefits include a decrease in greenhouse gases through trip reductions, fuel savings, and energy savings.

**FY 2010-11 Major Focus:** We plan to participate in preparations to roll out the AB811 energy conservation program to property owners in San Luis Obispo County. The program will provide loans to finance the installation of energy improvements. Property owners will repay the loans through an assessment levied against their property. Several departments including the Auditor's Office, Treasurer-Tax Collector, Planning, and the Administrative Office will be involved.

We will also be focusing on a new IDM project for the Human Resources (HR) Department. HR staff will use this new feature to attach electronic images of documents to personnel records in EFS. This will provide HR with a more efficient way to store, archive, and retrieve various types of data. Our staff will be working with HR and IT throughout the configuration and testing stages of the project.

### **Learning and Growth**

**FY 2009-10 Accomplishments:** We provided our staff with multiple opportunities for learning and growth. Staff attended a variety of training sessions ranging from SAP advanced training seminars to courses offered through the Employee University. Staff participated in statewide organizations including the Property Tax Managers Committee, Audit Chiefs Committee, Accounting and Reporting Managers Committee, and State Association of County Auditors. Many of our accounting staff are professionals who are required to complete 40 hours per year of continuing professional education (CPE) to maintain their certification. Last year we conducted several in-house training sessions for our staff and other departments as well.

**FY 2010-11 Major Focus:** We will focus on staff development by continuing the cross-training efforts that we started last year. Several individuals will be assuming new responsibilities in EFS Support, EFS Operations, Internal Audit, and the Administrative sections of the office. Shifting staff to new areas will provide excellent opportunities for them to broaden their experience and will strengthen coverage in several key areas in operations and systems support.

**COUNTY ADMINISTRATOR'S COMMENTS AND RECOMMENDATIONS**

General Fund support for FY 2010-11 is recommended to decrease by 2% or \$81,223 compared to FY 2009-10 adopted levels. Overall revenues are increasing by 14% or \$102,012 from FY 2009-10 levels. This increase is primarily due to increased Administrative Services revenue. Specifically, 1) in June of 2009, the Board of Supervisors approved adding penalties to parking citations countywide. It is anticipated that these added penalties will generate approximately \$250,000 additional revenue to the County. The Auditor's Office will oversee the program and a 10% (\$25,000) administrative fee is being budgeted; 2) the department will charge an administrative fee (\$33,000) to the Air Pollution Control District (APCD) for auditor services. A review of the cost plan has determined that the majority of the services provided to APCD is, other than payroll services, out of the cost plan and therefore, should be directly billed to them; 3) and finally, approximately \$10,000 is being budgeted for services that will be provided to oversee the County's post retiree health benefit funds being invested with the California Public Employee Retirement System (CALPERS).

Salary and benefit accounts are increasing by 1% or \$83,578 as a result of various adjustments for promotions and filling positions at lower levels, as well as budgeting for the deferred FY 2009-10 prevailing wage increase. Additionally, as part of the General Fund support reduction required of all departments, a vacant Administrative Assistant/Data Entry Operator-Confidential position will be eliminated. It should be noted that during FY 2009-10, the Accountant-Auditor Trainee/II/III and Principal Accountant-Auditor job classifications were revised resulting in a job title change to Auditor-Analyst Trainee/II/III and Principal Auditor-Analyst. The change does not affect the overall position allocation for the Auditor's Office.

Service and supplies are decreasing by 23% or \$56,289 as a result of reduced inter-departmental service charges as well as reductions in significant value and software accounts. New computers and/or computer software was not budgeted in FY 2010-11 as these were purchased in FY 2009-10.

**BOARD ADOPTED CHANGES**

None

**GOALS AND PERFORMANCE MEASURES**

<b>Department Goal:</b> Provide periodic review of the internal controls of County departments to ensure compliance with policies and procedures, and minimize losses from fraud or misappropriation.						
<b>Communitywide Result Link:</b> A well-governed community.						
<b>1. Performance Measure: Number of reviews, special district audits, trust fund reviews, and grant compliance audits performed for County departments.</b>						
05-06 Actual Results	06-07 Actual Results	07-08 Actual Results	08-09 Actual Results	09-10 Adopted	09-10 Actual Results	10-11 Target
34	31	30	19	21	25	21
<b>What:</b> The Internal Audit Division reviews the various offices, funds, and programs each year. Selection is made based on legal mandates, and measures of risk, such as dollar value, complexity, and/or the existence (or lack) of other checks and balances.						
<b>Why:</b> The reviews and audits help to minimize or prevent losses from fraud, waste, and abuse; and from non-compliance with program funding requirements. Since department managers are often unaware of their department's selection for a detailed audit in any particular year, this serves as a deterrent for lax internal controls.						

**How are we doing?** Despite staff vacancies, there was an increase in the number of audits performed in FY 2009/10. The audit staff is currently comprised of three auditors performing cash, departmental, grant compliance, and State mandated audits. In addition, the audit staff monitors and corrects errors in the State allocation of sales tax. Over \$72,500 in lost revenues was identified and corrections submitted last year as a result. The Internal Audit Division also monitors sub-recipients of the Workforce Investment Act for proper accounting methods, authorized expenditures, and services provided; calculates and prepares the Local Agency Formation Commission (LAFCO) billing to the various special districts and cities within the county. They also prepare and submit the County's Financial Transaction Report to the State, and provide assistance in preparing the Comprehensive Annual Financial Report.

**2. Performance Measure: Number of concessionaire, bed tax, or service provider audits completed.**

05-06 Actual Results	06-07 Actual Results	07-08 Actual Results	08-09 Actual Results	09-10 Adopted	09-10 Actual Results	10-11 Target
19	17	24	16	14	16	14

**What:** Selected concessionaires, hotels, and major contracted service providers are audited on a rotating basis so that they can expect to be studied once every three or four years. Hotels and most concessions pay the County based on percentages of gross receipts, and many contractors are paid based on counts of eligible services provided.

**Why:** These audits help to ensure the County is receiving all the revenue it is entitled to, and payments are made for services actually received. In addition, we try to maintain a level playing field so local businesses pay no more or less than their fair share under the law, and are properly compensated when contracting to the County.

**How are we doing?** The number of audits is up from prior years due to an additional auditor reassignment. Audit staff will focus on concessionaire and Transient Occupancy Tax audits after the end of FY 2009/10. We believe maintaining an audit presence helps create an even balance in the community. In addition, the staff began reviewing service providers' compliance with contracts to the County. In this way service providers are properly compensated, and the County receives the full spectrum of services purchased.

**Department Goal:** Maintain the financial health of the County by developing effective annual budgets, accurately identifying expenditures, and ensuring recovery of revenues from state and federal sources.

**Communitywide Result Link:** A well-governed community.

**3. Performance Measure: A favorable audit, by the State Controller's Office, of reimbursable costs allocated through the Countywide Cost Allocation Plan, prepared in accordance with Federal regulations.**

05-06 Actual Results	06-07 Actual Results	07-08 Actual Results	08-09 Actual Results	09-10 Adopted	09-10 Actual Results	10-11 Target
Audit with no exceptions	Audit with no exceptions	Audit with no exceptions	Audit with no exceptions			

**What:** State and Federal agencies allow for County's overhead cost reimbursement through numerous programs and grants. The Countywide Cost Allocation Plan is a tool used to distribute overhead costs to programs and departments within the County.

**Why:** The County is reimbursed for overhead costs.

**How are we doing?** The State Controller's Office performed an audit of the FY 2009/10 County Cost Allocation Plan. There were no findings or adjustments as a result of the audit.

**Department Goal:** Provide timely and accurate financial information for the public, Board of Supervisors, and County departments.

**Communitywide Result Link:** A well-governed community.

**4. Performance Measure: Earn a clean auditor's opinion on the Comprehensive Annual Financial Report (CAFR).**

05-06 Actual Results	06-07 Actual Results	07-08 Actual Results	08-09 Actual Results	09-10 Adopted	09-10 Actual Results	10-11 Target
1	1	1	1	1	1	1

**What:** A clean opinion from outside auditors measures the reliability, integrity and accuracy of the information presented in the County financial statements.

**Why:** Provides assurance to the public, investors and others that the County's financial position is presented fairly and accurately.

<p><b>How are we doing?</b> The external auditors have completed their annual audit of the 2008/09 fiscal year's financial statements and have issued unqualified or clean opinions. The review of the County's financial statements is required to be done and submitted to the State Controller's Office by December 31 following the end of the fiscal year.</p>						
<p><b>Department Goal:</b> Insure that all automated accounting systems designed to provide easy access to relevant data are maintained with adequate internal controls and audit trails.</p>						
<p><b>Communitywide Result Link:</b> A well-governed community.</p>						
<p><b>5. Performance Measure: Percentage of County users that receive annual workshop training sessions on automated financial management, human resource/payroll and budget preparation systems.</b></p>						
05-06 Actual Results	06-07 Actual Results	07-08 Actual Results	08-09 Actual Results	09-10 Adopted	09-10 Actual Results	10-11 Target
100%	100%	85%	85%	85%	85%	85%
<p><b>What:</b> This measures our desire to be certain County users know what systems and information are available and how to use them.</p>						
<p><b>Why:</b> County users will know what information is available and how to retrieve it given adequate training.</p>						
<p><b>How are we doing?</b> The Auditor's Office continues to offer workshops in various specialized areas such as the budget preparation system, SB90, and year-end procedures. The Auditor's Office also offers workshops as needed for newly created SAP reports or other subject matters at departments' request. For example, in FY 2009/10, time approver, time coordinator and cost accounting workshops were held. General training for the financial component of the Enterprise Financial System (EFS) was delayed in the FY 2008/2009 due to the loss of the training coordinator position as well as the pending EFS technical upgrade. We shifted some duties to develop a training program for changes to Employee Self Service (ESS) that occurred with the technical upgrade. Almost all employees use ESS to enter work times, check leave balances, view paystubs, and enter Flexible Spending Account claims. Additionally departments opting for 9/80 schedules received individual training through workshops held by the Auditor's payroll staff.</p>						
<p><b>Department Goal:</b> Provide high quality, cost effective Auditor-Controller services.</p>						
<p><b>Communitywide Result Link:</b> A well-governed community.</p>						
<p><b>6. Performance Measure: Auditor Controller staff per 100 County employees.</b></p>						
05-06 Actual Results	06-07 Actual Results	07-08 Actual Results	08-09 Actual Results	09-10 Adopted	09-10 Actual Results	10-11 Target
1.5	1.5	1.7	1.7	1.7	1.6	1.6
<p><b>What:</b> This shows Auditor Controller staffing levels per 100 county employees.</p>						
<p><b>Why:</b> This data can be compared with Auditor-Controller offices of similar characteristics to provide one measure of whether we are appropriately staffed.</p>						
<p><b>How are we doing?</b> Staffing levels per 100 employees for our comparable counties (6 counties surveyed) ranged from a low 1.1 in Monterey County to a high of 1.7 in Napa. The Auditor's Office maintains levels slightly above the average of 1.4, but well within the range of our comparable counties.</p>						
<p><b>Department Goal:</b> 100% of legal mandates should be implemented within established deadlines.</p>						
<p><b>Communitywide Result Link:</b> A well-governed community.</p>						
<p><b>7. Performance Measure: Percentage of legal mandates implemented within established deadlines</b></p>						
05-06 Actual Results	06-07 Actual Results	07-08 Actual Results	08-09 Actual Results	09-10 Adopted	09-10 Actual Results	10-11 Target
N/A	N/A	N/A	100%	100%	100%	100%
<p><b>What:</b> Monitor State and Federal legislation regularly in order to keep updated with changes to current mandates and new mandates.</p>						
<p><b>Why:</b> So that a proactive response to implement changes to current mandates and new mandates is seamless and timely.</p>						
<p><b>How are we doing?</b> During FY 2009/10 we successfully implemented all known legal mandates. Some of these include: Cobra medical requirements, Governmental Accounting Standards for financial reporting, and various Internal Revenue Service (IRS) regulations. Legal mandates are continuous in our department due to the scope of financial responsibilities. We will continue to implement all mandates as they develop in FY 2010/11.</p>						