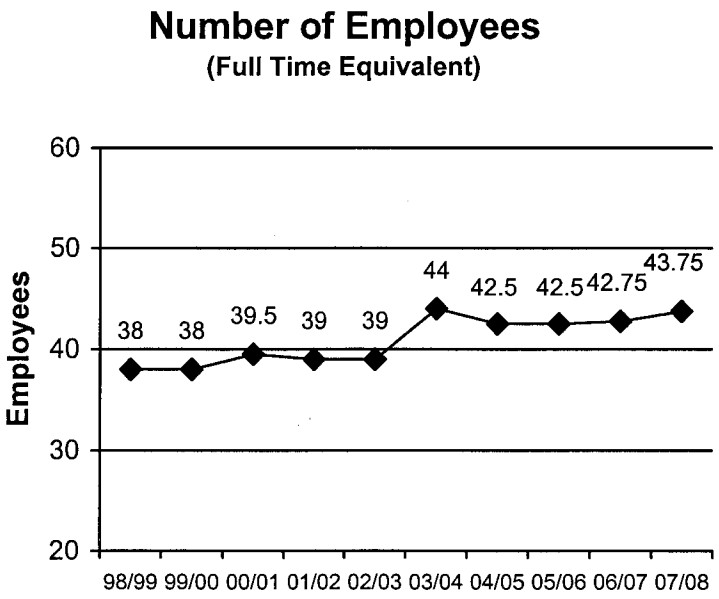
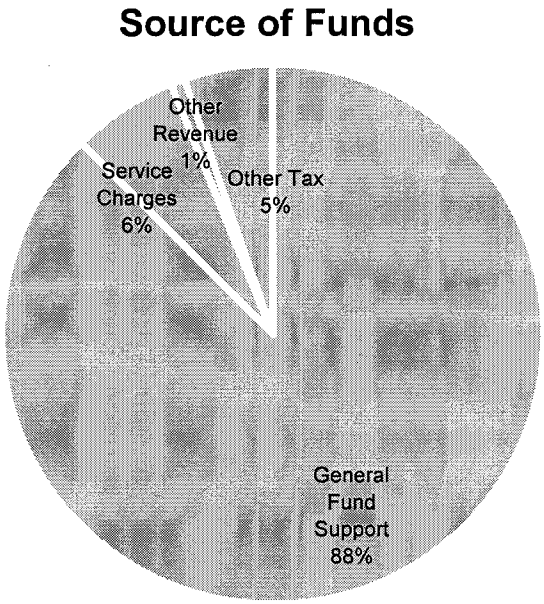
MISSION STATEMENT

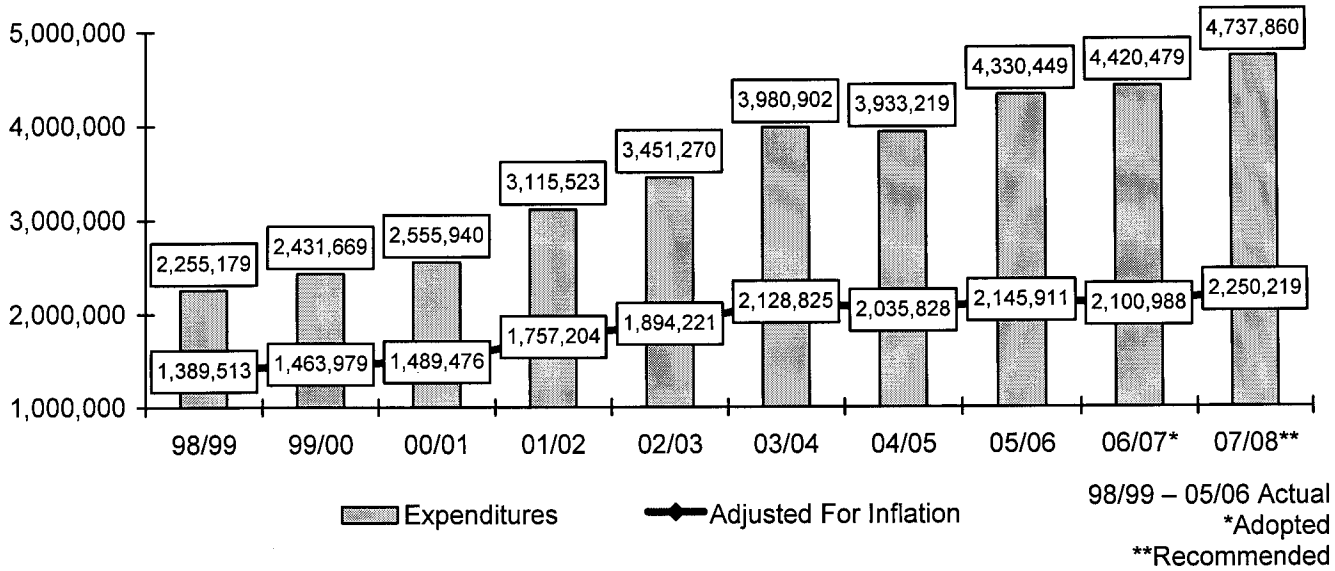
The Auditor-Controller is the Chief Accounting Officer for the County Government. The office enhances the public's trust by acting as a guardian of funds administered for the County, cities, schools and special districts and by providing an independent source of financial information and analysis.

Financial Summary	2006-07 Budget	2006-07 Projected	2007-08 Requested	2007-08 Recommended	Change From 2006-07
Revenues	$ 597,301	$ 669,444	$ 598,011	$ 598,011	$ 710
Salary and Benefits	4,108,122	4,240,600	4,266,202	4,423,182	315,060
Services and Supplies	312,357	1,160,329	331,678	314,678	2,321
Fixed Assets	0	0	0	0	0
**Gross Expenditures	$ 4,420,479	$ 5,400,929	$ 4,597,880	$ 4,737,860	$ 317,381
Less Intrafund Transfers	3,400	3,400	3,400	3,400	0
**Net Expenditures	$ 4,417,079	$ 5,397,529	$ 4,594,480	$ 4,734,460	$ 317,381
General Fund Support (G.F.S.)	$ 3,819,778	$ 4,728,085	$ 3,996,469	$ 4,136,449	$ 316,671





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 and provide oversight and direction with departments and vendors. Prepare annual reports required by the State and the Internal Revenue Service.

Total Expenditures: $460,596 Total Staffing (FTE): 6.25

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. Assists with the preparation of the County's annual financial statement.

Total Expenditures: $428,709 Total Staffing (FTE): 4.50

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: $307,047 Total Staffing (FTE): 2.50

Deferred Compensation Plan

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

Total Expenditures: $45,000 Total Staffing (FTE): 0.00

Enterprise Financial System

To provide support for the County's new financial system.

Total Expenditures: $767,119 Total Staffing (FTE): 7.25

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: $933,539 Total Staffing (FTE): 7.75

Mobilehome Rent Board Support

Administer the Mobile Home Park Rent Stabilization Ordinance and provide staff support to the Board.
Total Expenditures: $71,440 Total Staffing (FTE): 0.50

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: $648,080 Total Staffing (FTE): 6.25

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: $388,557 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 LAN and PC network.
Total Expenditures: $687,773 Total Staffing (FTE): 5.00

DEPARTMENT COMMENTS

Customer Service:
As an internal support department our primary customer base is county departments, county schools, incorporated cities, and numerous special districts located within the County of San Luis Obispo. We continue to provide and assist outside departments or agencies with financial analysis covering such items as departmental budgets, payroll analysis, grant reporting and reimbursement, debt financing, and revenue projections. We conducted an extensive training program of workshops, labs, and onsite classes to familiarize departments with our new financial system. We have continued this training program as an ongoing service and have established a permanent training facility.

Improvements to cost accounting processes have led to better functionality and record keeping for grants and restricted revenues. Reports for these functions are continually improving.

Major focus: We will continue to develop new reports and add functionality allowing employees and departments the ability to obtain information themselves from the new system as needed. To disseminate new Enterprise Financial System (EFS) capabilities we will offer ongoing training classes and individual or group workshops. In addition, we have started our process of meeting with all departments, individually, to review their cost accounting and determine what financial reporting needs are not being met within their current structure.

Internal Business Process Improvement:
Last year we began the process, along with selected other County Departments, to implement an Integrated Document Management (IDM) system. Specifically, the Auditor-Controller's Office is scanning invoices for all departments that can be retrieved electronically through EFS or directly through the IDM system. The Auditor-Controller's scanning efforts will benefit all departments by reducing copies and storage needs and eliminate the time-consuming effort of searching through files to locate hard copy documents. We have interviewed each department to determine the security requirements for scanned accounting documents and are developing our procedures based on these responses.

We have also developed a number of interfaces with the EFS system reducing data entry time and the opportunity for errors. Some of the interfaces we have created during the last year include Clerk Recorder Elections worker payments, PG&E utility payments and postings, CALPERS, and Mental Health Provider payments. Future interfaces include vendor e-form, SLOCOG, and Sheriff Civil. Currently all of these business processes produce a number of transactions each month which are manually input by the departments.

The Auditor's accountants work with General Services to close out encumbrances and purchase orders on a timely basis making the year-end process run smoother and more efficiently.

Major focus: We plan to provide user training to ensure the IDM system meets legal requirements for the protection and retention of accounting documents. In addition, we are also looking for areas to streamline County work such as creating interfaces.

Finance:
During the past year our Office has been extremely active in debt related issues. Early in the year we worked to buy down $2 million in Pension obligation bond principal and resold $42 million in variable rate Pension bonds to gain a more favorable interest rate. We also secured financing of the Paso Robles Courthouse. We worked with an actuary in determining the $25 million liability for the County's retiree health benefits and developed a budgetary mechanism for funding those benefits over the long term. Our financial statements were issued with a clean opinion from an independent CPA firm and we received the Government Finance Officers Association (GFOA) certificate for excellence in financial reporting for the 20th consecutive year. We continue to improve our reporting in EFS to streamline financial statement preparation. All state and federal requirements have been met including sales tax returns, 1099 reporting, mandated reimbursement claims, county cost allocation plan, and payroll reports. Vendors have been paid with appropriate discounts taken, and property taxes were distributed accurately and timely. Each of these processes continues to be refined as our familiarity with the accounting system evolves.

Major focus: Continue to complete mandated requirements within prescribed timeframes and provide information to both our customers and to outside agencies.

Learning and Growth:
The Auditor's Office continues to improve training opportunities for a number of processes. We provided not only financial and payroll training but also budget preparation workshops and state mandated reimbursement training. Our accounting staff maintains required on-going continuing education and assumes leadership positions in statewide organizations and projects. Additionally, a number of EFS staff attended SAP advanced training seminars to further their knowledge in the technical skills required to maintain and improve the new financial and human resource systems. This year we caught up the SAP updates that we were not able to apply during the implementation. The EFS support staff, over the course of 4 months, tediously tested a large number of software code changes before successfully applying the updates to the live system.

Major focus: Continue to provide training in the financial and payroll systems to ensure adequate levels of competence for County employees.

COUNTY ADMINISTRATOR'S COMMENTS AND RECOMMENDATIONS

The General Fund support for the Auditor-Controller's Office is recommended to increase by $316,671 or 8% over current levels. Salaries and benefits are increasing by 7%, or $315,000, in due to prevailing wage, pension increases as well as the recommended new Accountant-Auditor position. The 3.25% increase in pension related expense increases the department's salary and benefit accounts by $95,377. The Accountant-Auditor position is being recommended in order to support the payroll and time management functions of the County's financial management system (SAP). Results associated with this additional position are contained in the budget augmentation request (BAR) listed below. The requested Principal Accountant-Auditor position is not being recommended at this time but will be considered in May when an item is presented to the Board relating to infrastructure and financing needs. At that time, staff will be asking for direction in regards to those issues as well as staffing requests. Services and supplies are recommended to essentially remain at FY 2006-07 levels. Revenues are essentially the same as budgeted in 2006-07.

BUDGET AUGMENTATION REQUESTS RECOMMENDED

Unit Amount	Description	Results
Gross: $61,526 General Fund Support: $61,526	Add 1.0 Accountant-Auditor I/II/III position in support of Employee Self Service, Time Management and Cross Allocation Timesheets modules of the County's financial system (EFS/SAP).	1. Reduction in consultant costs associated with support and updating of EFS modules related to employee self service, time management, and timesheets. Consulting costs range from $90 to $250 per hour. After a training period, reliance on consulting support can be reduced by 50% for these specific modules; 2. Cross training of staff to ensure continuity of services; 3. Increase response time to immediate for critical system problems, approved enhancements or customization thus improving the departments' use of the system. With the use of a consultant, response time was anywhere from 2-3 days or longer.

BUDGET AUGMENTATION REQUESTS NOT RECOMMENDED

Unit Amount	Description	Results
Gross: $113,236 General Fund Support: $113,236	Add one (1) Principal Accountant-Auditor position to manage the County's increasing long-term debt program.	1. Backup to the Auditor-Controller in managing the County's debt program; 2. Ensure the continuance of the County's excellent debt rating; 3. Provide financial knowledge support for capital projects.

GOALS AND PERFORMANCE MEASURES

Department Goal: Pay county bills on time and accurately.

Communitywide Result Link: A well-governed community.

1. Performance Measure: Percentage of county vendors identified as "satisfied" or "very satisfied" with payment timeliness and courteous response to inquiries.

02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Actual Results	06-07 Adopted	06-07 Projected Results	07-08 Target
94%	No Survey	No Survey	No Survey	90%	DELETE	DELETE

What: The survey measures our vendors' satisfaction with department service and performance.

Why: Our purpose is to meet or exceed the performance expectations of our vendors.

How are we doing? The County's new financial system decentralized accounts payable. All entries are now entered by departments, therefore, the timing of the payments no longer resides with the Auditor's Office. This measure is no longer valid for the Auditor's Office and is being deleted.

Department Goal: Provide periodic review of the internal controls of County Departments to ensure compliance with policies and procedures, and minimize losses from fraud or misappropriation.

Communitywide Result Link: A well-governed community.

2. Performance Measure: Number of reviews, special district audits, trust fund reviews, and grant compliance audits performed for County departments.

02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Actual Results	06-07 Adopted	06-07 Projected Results	07-08 Target
26	33	17	34	32	32	32

What: The Internal Audit Division studies a sampling of various offices, districts, 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 of other checks and balances.

Why: These audits and reviews help to prevent or minimize losses from fraud and from non-compliance with program funding requirements. Since department managers in most cases do not know if their operation will be selected for detailed audit in any particular year, this serves as a deterrent for lax internal controls.

How are we doing? In general, we have found departments accountable and in compliance with County and grant claiming procedures during the reviews and audits performed.

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

02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Actual Results	06-07 Adopted	06-07 Projected Results	07-08 Target
23	24	9	19	18	20	20

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

How are we doing? The Auditor's Office filled two vacant audit positions during 05/06, which resulted in the Auditor's office exceeding the adopted number of audits and reviews. Last year, audits found in excess of $20,000 of additional TOT taxes due to the County. We anticipate completing 22% more audits than budgeted in the current year.

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.

4. 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.

02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Actual Results	06-07 Adopted	06-07 Projected Results	07-08 Target
Audit with no exceptions	Audit with no exceptions	Audit with no exceptions	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 on-site audit of the 05/06 County Cost Allocation Plan. This audit resulted in no adjustments and no findings.

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

Communitywide Result Link: A well-governed community.

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

02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Actual Results	06-07 Adopted	06-07 Projected Results	07-08 Target
1	1	1	1	1	1	1

What: The clean opinion 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.

How are we doing? The external auditors have completed their annual audit and have issued an unqualified or clean opinion on the 05-06 fiscal year's financial statements.

Department Goal: Insure that all automated accounting systems designed to provide easy access to relevant data are maintained with adequate internal controls and audit trails.

Communitywide Result Link: A well-governed community.

6. Performance Measure: Percentage of users that receive annual workshop training sessions on automated financial management, human resource/payroll and budget preparation systems.

02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Actual Results	06-07 Adopted	06-07 Projected Results	07-08 Target
85%	85%	100%	100%	100%	100%	85%

What: This measures our desire to be certain users know what systems and information are available and how to use them.

Why: Users will know what information is available and how to retrieve it given adequate training.

How are we doing? The Auditor's Office continues to offer workshops in various specialized areas such as budget preparation system and SB90 as well as general training for Enterprise Financial System. In the past two years 100% of county departments received training but we anticipate that training level to taper off in the 2007/08 fiscal year as staff becomes more familiar with the new financial system.

Department Goal: Provide high quality, cost effective Auditor-Controller services.

Communitywide Result Link: A well-governed community.

7. Performance Measure: Auditor Controller staff per 100 County employees.

02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Actual Results	06-07 Adopted	06-07 Projected Results	07-08 Target
1.5	1.4	1.5	1.5	1.5	1.5	1.5

What: This shows Auditor Controller staffing levels per 100 county employees.

Why: This data can be compared with Auditor-Controller offices of similar characteristics to provide one measure of whether we are appropriately staffed.

How are we doing? Staffing levels per 100 employees for our comparable counties (6 counties surveyed) ranged from a low 0.5 in Kern County to a high of 1.8 in Napa County, with the average at 1.2. The Auditor's Office maintains levels slightly above the average, but well within the range of our comparable counties.