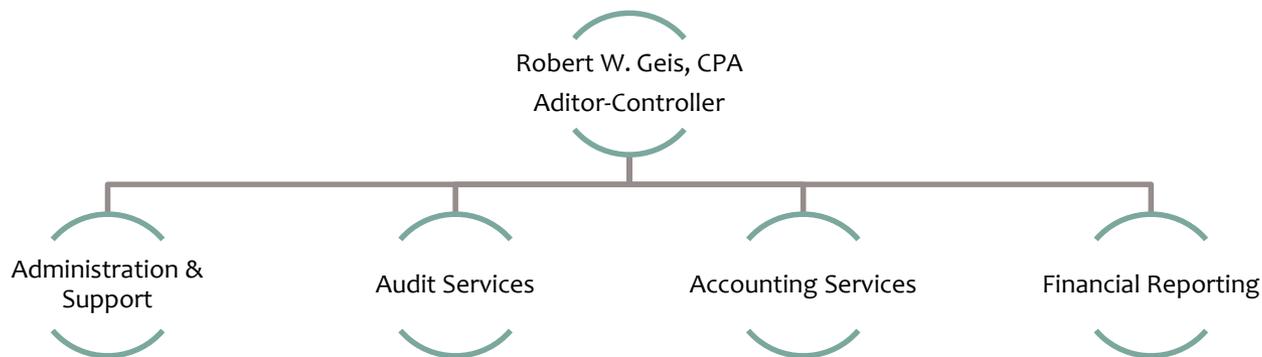


2015-2017 BUDGET WORKSHOP

Auditor-Controller



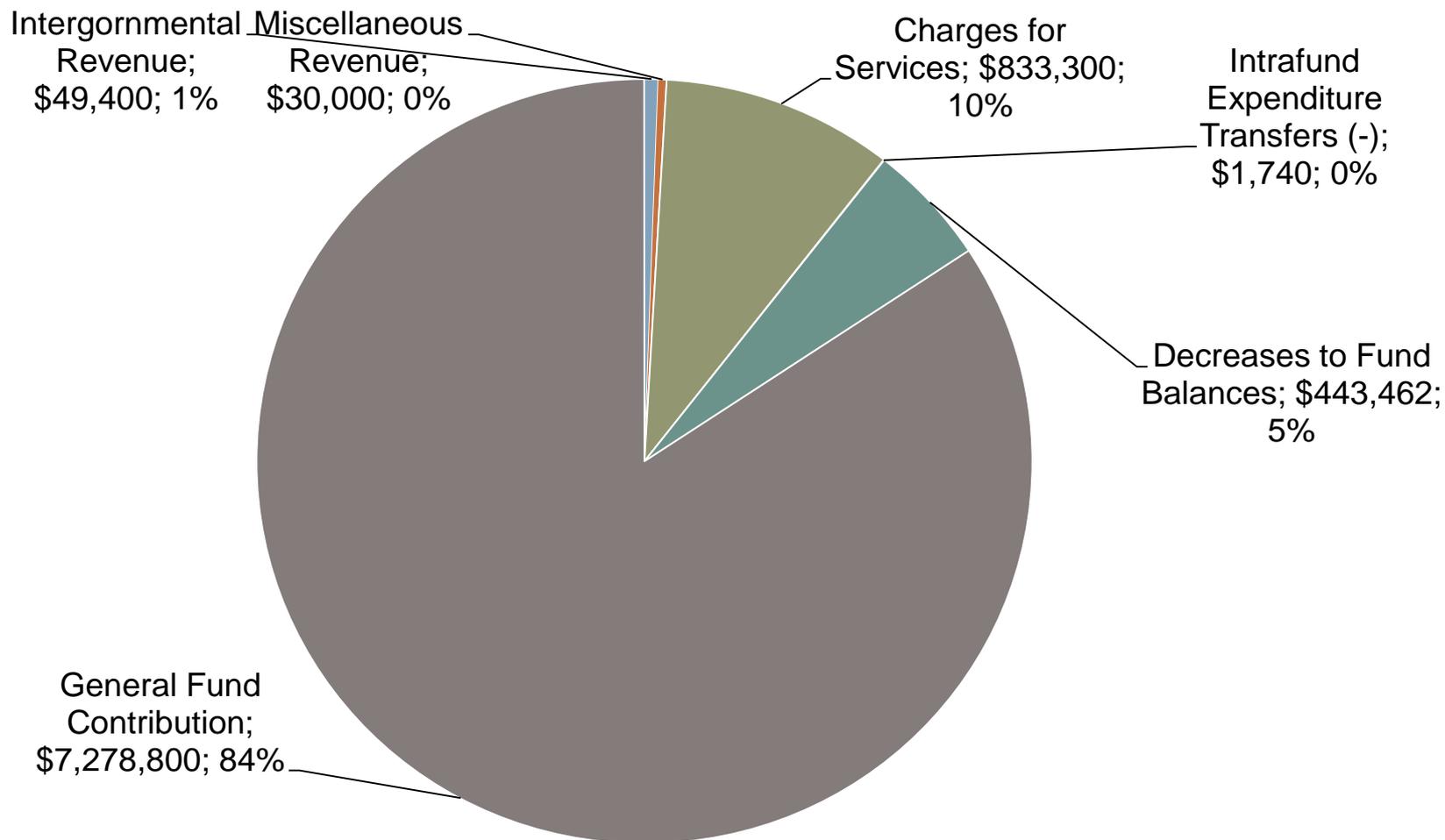
Summary

- Operating \$ 8,626,702
- Capital \$ 10,000
- General Fund \$ 7,278,800
- FTE's 49.2
- One Time Use of Fund Balance
\$ 443,462
- Expansion Requests \$ 184,100 offset by
90,000 return of one-time Program Restoration
- A-C General Revenue Cost Allocation
increased \$675,000 to \$2,883,000

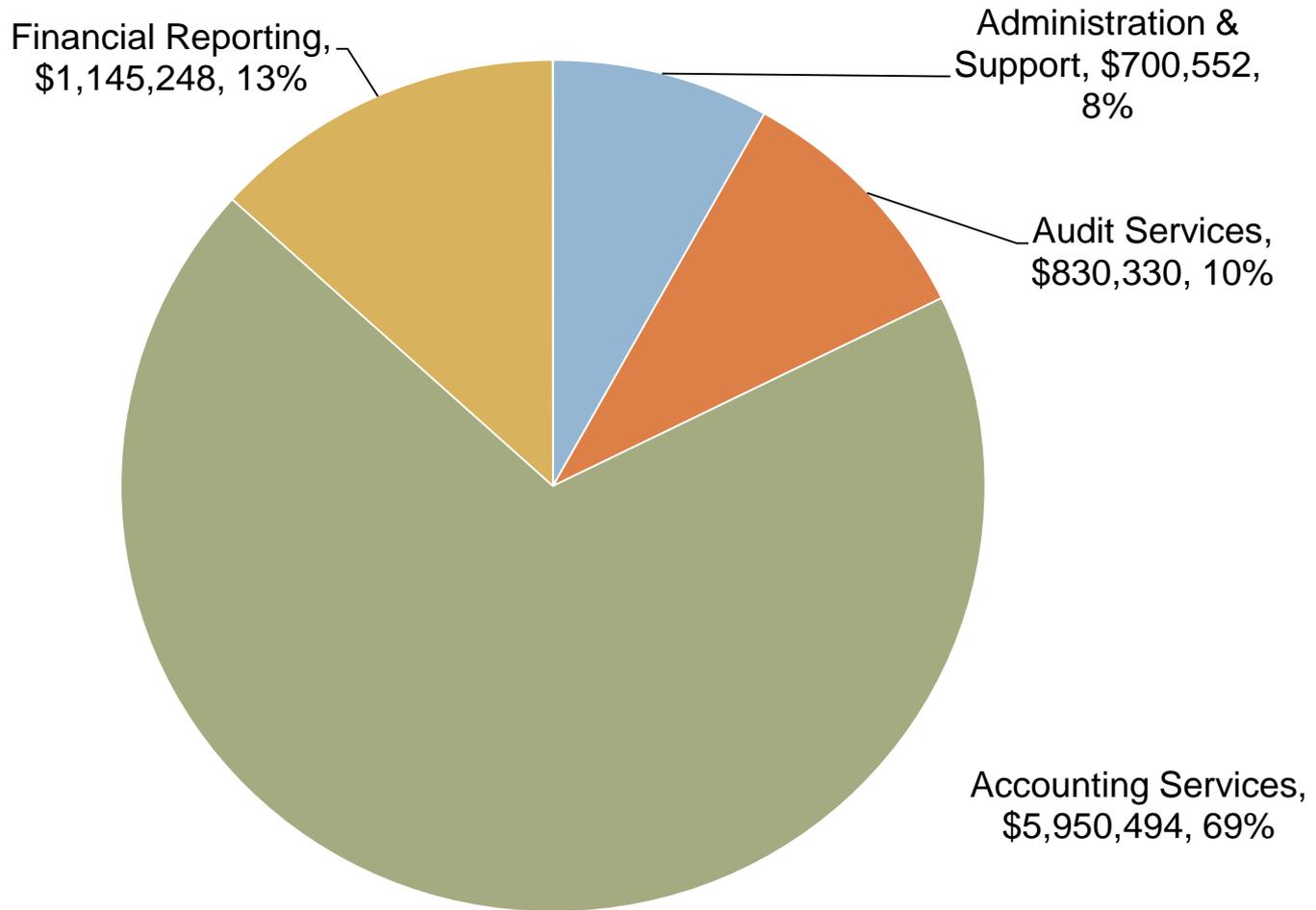
Overarching Business Trends

- Cuts created by economic downturn in our department and other departments
- Demand for our fiscal expertise by other departments or projects
- Aging of financial systems and technology changes require upgrades and enhancements
- External forces and internal demands such as new legislation, new Federal & State programs, and Board requests

FY 15-16 Source of Funds

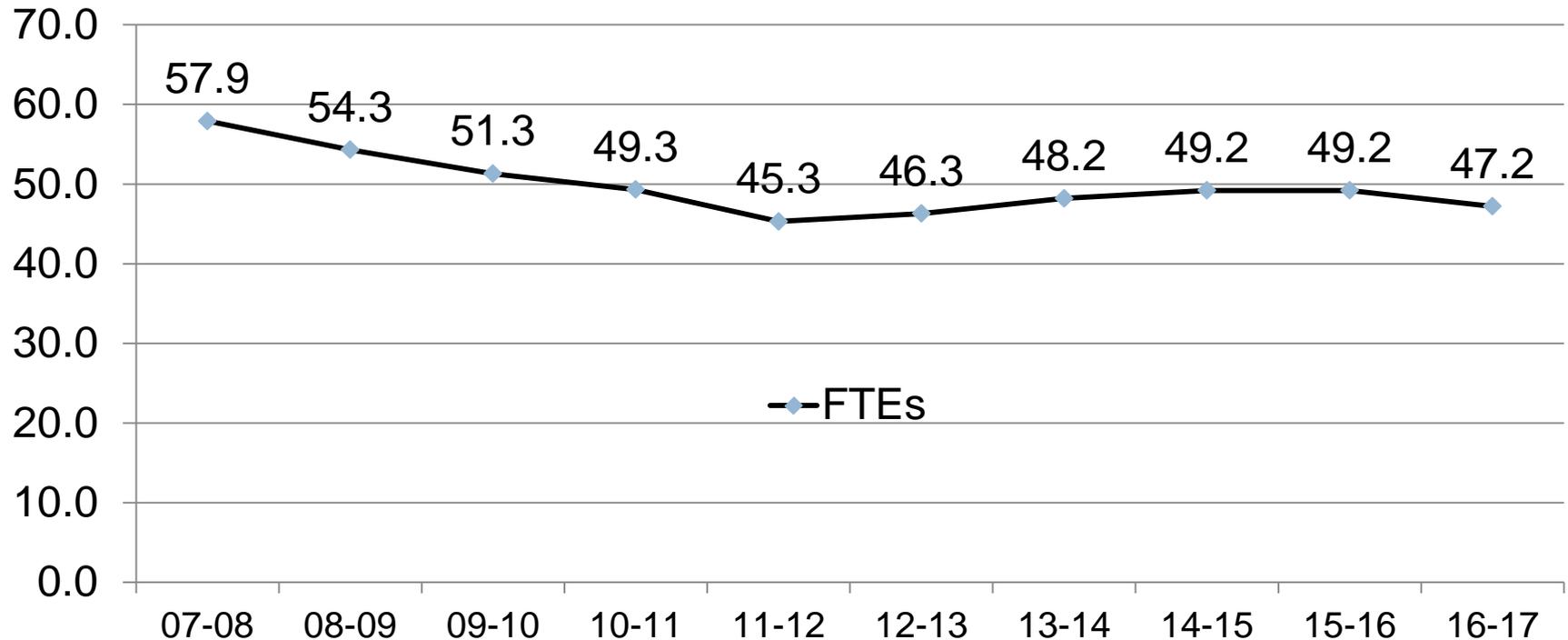


FY 15-16 Use of Funds

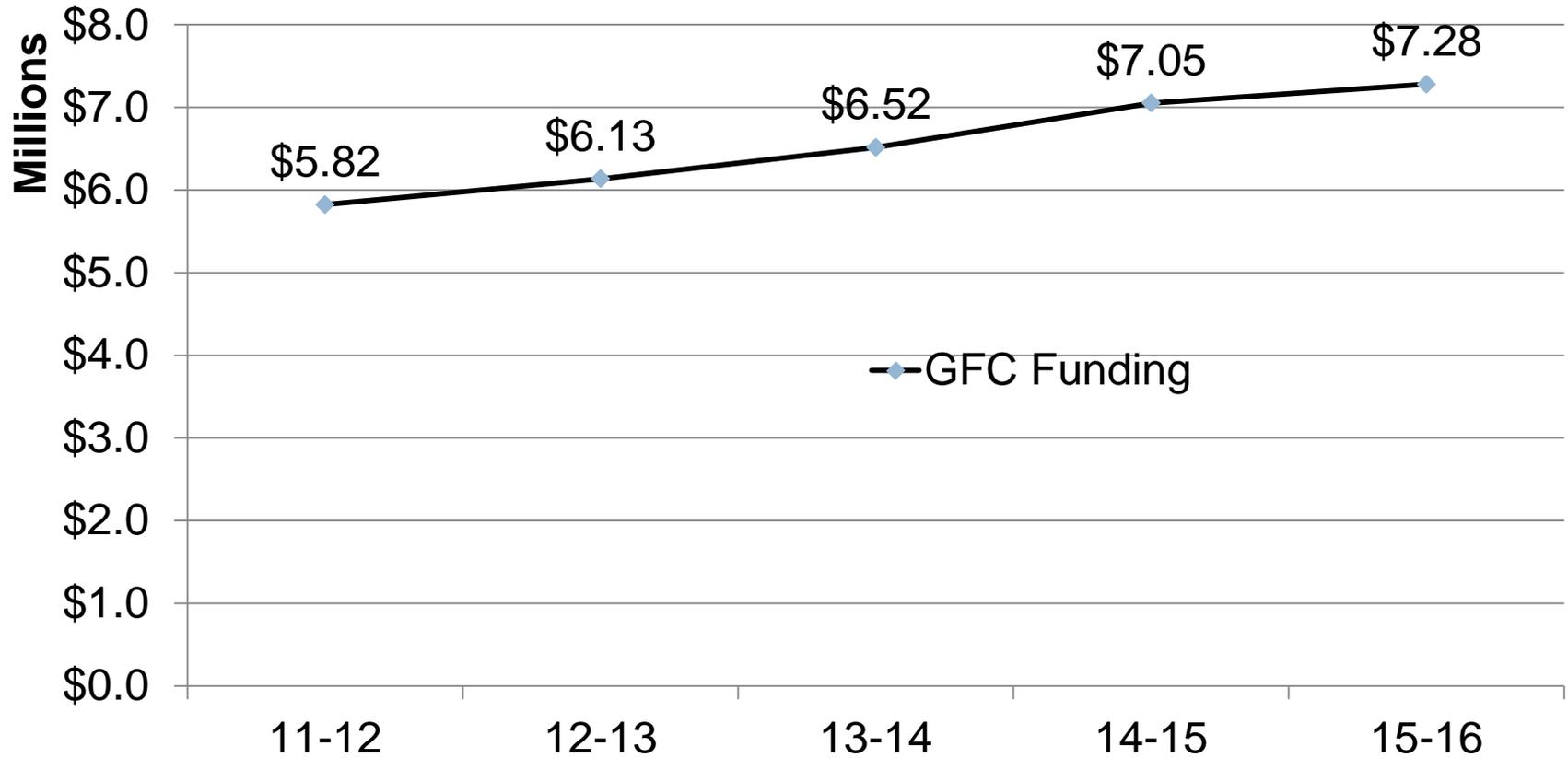


Staffing Summary

- 49.2 FTE FY 14-15 Adopted
- 49.2 FTE FY 15-16 Recommended; 47.2 FY 16-17 Proposed



GFC 5 Year Summary



FY 2014-15 Anticipated Accomplishments

- Provided comprehensive Deming Management training for 45 department employees.
- Completed documentation for Office of Inspector General (OIG) audit of HCD that should reduce disallowed costs significantly from \$3.1 million. If not successful, repayment by the General Fund will be required.
- Maintained a commitment to keep the public informed on matters concerning public finances by providing and distributing concise, reader-friendly publications.

FY 2014-15 Anticipated Accomplishments

- Designed, developed, and implemented a CAFR database compilation system which accelerates the completion of the financial statements and audit. Santa Barbara County is the fastest in the State at producing a CAFR and Audited Financial Statements. In addition to the timeliness of the document, Bond Rating Agencies place a premium on the County's ability to produce this timely and accurate financial information.
- Initiated the development of a public portal for the County Recommended and Adopted Budgets.
- Implemented some of the Affordable Care Act payroll reporting requirements.
- Developed and implemented a new state-of-the-art automated direct payment application for County vendors.

FY 2015-17 Objectives

- Finishing the implementation of the Property Tax System will be the Department's top priority.
- Continue documentation for Office of Inspector General (OIG) audit of HCD to further reduce audit disallowance costs.
- Deploy a web-based Countywide time capture system.
- Enhance features of the new financial and budget public portal.
- Plan for the administration of the consolidated RDA Oversight Board and RDA dissolution process.

FY 2015-17 Objectives

- Provide accounting support/training, grant compliance, and review of the Northern Branch Jail project and the STAR project.
- Maintain and enhance the 65 applications in the A-C that serve multiple departments and County agencies.
- Distribute an estimated \$800 million in property taxes to local agencies annually.
- Manage biweekly payroll process for approximately 4,500 employees.
- Validate and record 126,000 transactional documents, an average of almost 500 per day, which include claim payments, vendor changes, general ledger accounting transactions, budget entries, deposit entries, and journal entries.

Performance Measures

Description	2012-13 Actual	2013-14 Actual	2014-15 Est. Act.	2015-16 Rec.	2016-17 Prop.
Percentage of A-C mandatory audits completed by legal due date	90% 10/11	84% 11/13	100% 5/5	100% 5/5	100% 5/5
Number of revenue allocations made legally, accurately and timely - Distribution of Property Taxes to all taxing entities	36	36	24	36	36
Number of revenue allocations made legally, accurately and timely - Specialty & Advanced Accounting	267	239	333	333	333
Complete the County's Comprehensive Annual Financial Report within 60 days and receive the GFOA Certificate of Excellence in Financial Reporting	Yes	Yes	Yes	Yes	Yes
Percentage of annual disbursements to County vendors through direct deposit (ACH)	53% 64K/119K	54% 65K/119K	57% 68K/119K	58% 70K/120K	60% 72K/120K

Performance Measures (Continued)

Description	2012-13 Actual	2013-14 Actual	2014-15 Est. Act.	2015-16 Rec.	2016-17 Prop.
The number of financial reports viewable by interested parties (Public/County employees) that will increase transparency of the County's fiscal position and availability of financial information.	64	65	68	68	68
Number of popular annual financial highlight reports produced timely.	5	5	5	5	5
Percentage of department budget expended on training	1% 75K/7.5M	1% 83K/8.3M	1% 83K/8.3M	1% 86K/8.6M	1% 86K/8.6M
Percentage of staff with one or more professional licenses or designations	Not Used in Prior Years	45% 22/45	57% 28/49	57% 28/49	59% 28/47

Performance Measures (Continued)

Description	2012-13 Actual	2013-14 Actual	2014-15 Est. Act.	2015-16 Rec.	2016-17 Prop.
Percentage of Computer Service Requests (CSR's) completed within the FY requested	94% 521/554	92% 510/554	86% 476/554	90% 499/554	90% 499/554
Percentage of departmental Employee Performance Reviews (EPRs) completed by the due date	100% 46/46	100% 48/48	100% 49/49	100% 49/49	100% 47/47
Percentage of technical disaster recovery plans for mission critical systems updated per year	100% 1/1	100% 1/1	100% 1/1	100% 1/1	100% 1/1

Service Level Reductions

- Auditor-Controller does not have any Service Level Reductions for FY 15/16. Without the approval of our requested expansion, we would lose funding for 2 FTEs in FY 16/17.

Key Challenges & Emerging Issues

- Affordable Care Act Implementation
 - Medical insurance requirements - Form 1095 & medical insurance by month for every employee – 5,000 new forms
 - Quarterly reporting to Federal Government
 - Program systems to create the required reports
 - Research and implementation of ACA coverage for less than full-time employees
- Implementation of Paid Sick Leave Benefit for all Extra-Help employees
- Fair Labor Standards Act Out of Compliance for Overtime in a few departments
 - Fraud activity and related investigations revealed the FLSA overtime issue
 - Manual implementation to collect 5,000 employee work schedules has been inefficient and questionably effective
- Implementation of Out-of-State vendor withholding program

Key Challenges & Emerging Issues

- Changes in Property Tax
 - Numerous New School Bonds and District Assessments
 - Propose new commercial and residential PACE assessments
 - Initial and ongoing dissolution of 7 Redevelopment Agencies in the County
 - Proposed requirement for AC to provide administration of consolidated RDA Oversight Board and long term eventual dissolution of the boards
- Northern Branch Jail accounting and financing set up and issues
- STAR Facility accounting and financing set up issues
- Implementation of numerous Governmental Accounting Standards Board pronouncements – including Pension Standards for this year

Key Challenges & Emerging Issues

- Federal “Super-Circular” Implementation
 - Streamlined federal rules and regulations associated with receiving Federal revenue and grants – 129 programs and \$127 million in addition to \$23 million in outstanding loans
 - Combined 8 federal circulars into one Super Circular
 - Focus is on risk assessment, internal controls and compliance
 - Affects virtually all departments and entities we pay as sub-recipients or contractors
 - **Administration** – internal controls, financial management rules and sub-recipient monitoring
 - **Procurement** – competition, remedy for non-compliance, record retention, terms & conditions for monitoring & conflict of interest
 - **Cost Principles** – allowable cost criteria, allocation, classification (direct vs indirect), cost allocation plans, & changes in cost allow ability
 - **Audit** – FEMA changes, SEFA reporting changes, auditee responsibility and finding, major program determination, dollar change total expense, low risk criteria

Key Challenges & Emerging Issues

- Legally required Social Security Number truncation audit of Assessor documents and data
- Lompoc Housing and Community Development Corporation (LHCDC) Audit
 - Provided the necessary documentation to respond to the OIG audit
- Respond to Grand Jury requests such as take home vehicles in the Sheriff's Department
- Implementation of a new vendor Property Tax System
 - Secured taxes, unsecured taxes, supplemental taxes, bonds, & assessments
 - Refunds , corrections, & distributions
- Implementation of retroactive compensation provisions for Bargaining Unit Memorandums Of Understanding
- Contract Monitoring Project

Key Challenges & Emerging Issues

- Departments / County implement new programs or projects which require fiscal abilities not readily available at the Department level
 - ex. AB109, various realignment programs, PACE, home energy improvement loans, RDA, HR programs
- Budget Development – since the budget book preparation was transferred from the CEO, there have been 3 years of continuous significant changes in the process and presentation
- Loss of key staff members
- Provide instructors to the Employee University for 3 levels of governmental accounting classes

Budget Enhancement Request

Budget Enhancement Request: \$184,100

- We are requesting on-going funding for the two Accountant-Auditors that were approved in the prior year with one-time funding from Committed Fund Balances, \$90,000 from Program Restoration Committed Fund Balance and \$94,100 from Auditor Systems Maintenance and Development Committed Fund Balance.
- The General Fund General Revenues for Cost Allocation generated by the Auditor-Controller Department's recovery of cost mainly from Federal and State programs grew by \$675,000 from the FYE 2014-15 to the FYE 2015-16.
- The Department will not draw the \$90,000 from the Program Restoration Committed Fund Balance in FYE 2014-15 and FYE 2015-16 to mitigate a portion of our request for those two years.
- Although not included with this year's Auditor request, we believe to get to optimal staffing of 52.2 FTEs, we would need to hire a Financial Accounting Analyst, a Senior Accountant, and another Accountant Auditor I.
- If this request is not approved, we would lose funding for 2 FTEs in FY 16/17 reducing our staffing level to 47.2 FTEs.

Budget Enhancement Requests

- Budget Enhancement Request: Ongoing funding for 2 FTEs; \$184,100; (Replace the limited term two year partial funding provided in the prior year with ongoing GFC)
- Why is this a priority?
 - Adequate staffing of the Auditor's Office is essential to protect the resources of the County
- Identify funding source(s), and if source is one-time or ongoing funding
 - Ongoing funding should be considered from the increase of \$675,000 in Auditor Cost Allocation Plan revenue recorded in General Revenues. A portion could be reallocated through GFC.
- Describe how is this an investment in the County's future?
 - Cost savings are generated consistently by the AC department, examples include:
 - OIG Audit Documentation estimated to avoid repayment of \$3.1 million in question costs.
 - Internal development of financial applications that avoid massive capital outlay for vendor enterprise type systems along with the associated vendor maintenance, licensing, upgrades. This alone has saved the County tens of millions of dollars.
 - Constant improvement of internal controls prevents the loss of funds that can occur due to errors, omissions, and fraud.
 - Enables the AC to increase cost savings through developing well trained accounting staff for assisting departments.

Auditor-Controller Summary

- To ensure the financial integrity of the County of Santa Barbara by providing superior financial services, maintaining the public trust, and promoting governmental efficiency, effectiveness, and accountability
- The Department is the leading financial management resource of the County and its long term vision includes a well-run, financially sound County, an informed public, and a model County Department with a knowledgeable and effective staff. The Department is governed by the overriding principles of fiscal integrity, objectivity, customer service, and continuous improvement.

Auditor-Controller Summary

With adequate staffing, we can maintain constancy of purpose, consistency of effort, and further implement the Deming philosophy that results in --

*“Better Thinking,
Extraordinary Results, and
Everybody Wins!”*