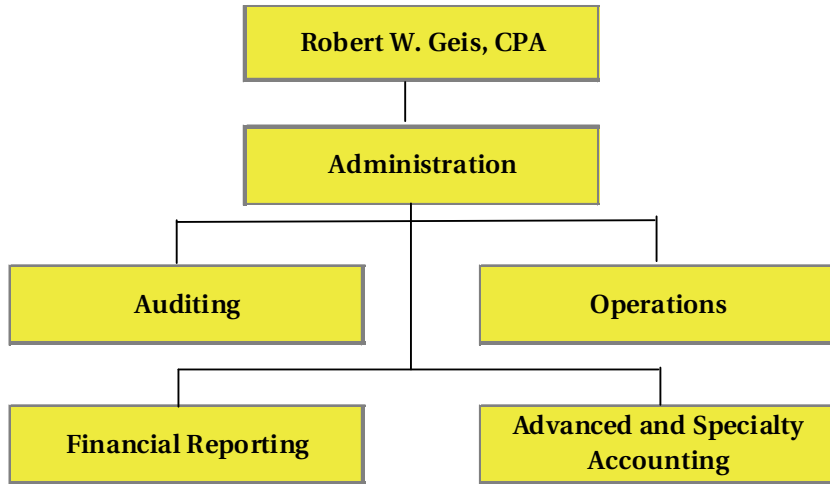
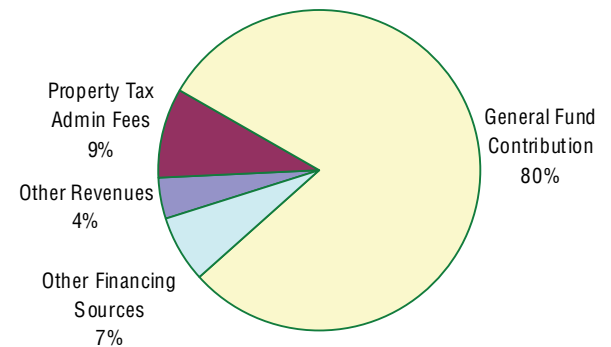


AUDITOR-CONTROLLER

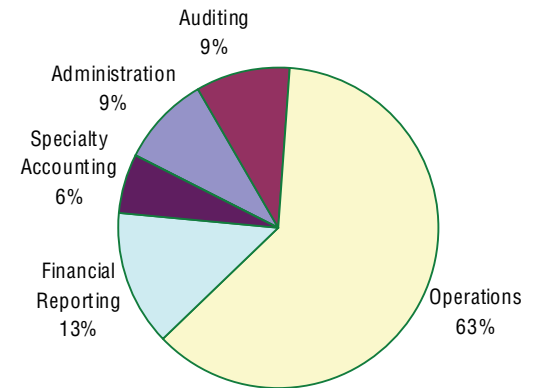
Budget & Staffing	
Operating \$	7,654,728
Capital	10,000
FTEs	45.3



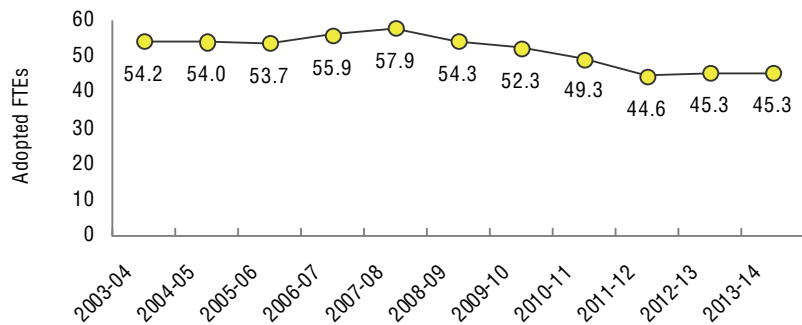
SOURCE OF FUNDS



USE OF FUNDS



STAFFING TREND



AUDITOR-CONTROLLER

Department Summary

	Actual FY 10-11	Adopted FY 11-12	Recommended FY 12-13	Proposed FY 13-14
Use of Funds Summary				
<i>Operating Expenditures</i>				
Administration	\$ 645,378	\$ 676,647	\$ 703,589	\$ 735,942
Auditing	548,583	697,824	719,777	757,452
Operations	4,423,153	4,841,159	4,740,344	4,967,596
Financial Reporting	945,925	962,051	1,028,444	1,071,980
Specialty Accounting	484,610	475,290	464,316	485,551
Operating Sub-Total	7,047,649	7,652,971	7,656,470	8,018,521
Less: Intra-County Revenues	(3,010,541)	(2,145,961)	(1,740)	(1,740)
Operating Total	4,037,108	5,507,010	7,654,730	8,016,781
<i>Non-Operating Expenditures</i>				
Capital Assets	21,472	10,000	10,000	10,000
Expenditure Total	4,058,580	5,517,010	7,664,730	8,026,781
<i>Other Financing Uses</i>				
Operating Transfers	5,326	--	--	--
Designated for Future Uses	425,000	--	--	--
Department Total	\$ 4,488,906	\$ 5,517,010	\$ 7,664,730	\$ 8,026,781

	Actual FY 10-11	Adopted FY 11-12	Recommended FY 12-13	Proposed FY 13-14
Character of Expenditures				
<i>Operating Expenditures</i>				
Regular Salaries	\$ 4,390,836	\$ 4,472,149	\$ 4,384,013	\$ 4,434,649
Overtime	3,991	3,000	2,000	2,000
Extra Help	90,036	120,000	120,000	120,000
Benefits	1,906,509	2,173,592	2,157,406	2,435,622
Salaries & Benefits Sub-Total	6,391,372	6,768,741	6,663,419	6,992,271
Services & Supplies	656,277	884,230	993,051	1,026,250
Operating Sub-Total	7,047,649	7,652,971	7,656,470	8,018,521
Less: Intra-County Revenues	(3,010,541)	(2,145,961)	(1,740)	(1,740)
Operating Total	4,037,108	5,507,010	7,654,730	8,016,781
<i>Non-Operating Expenditures</i>				
Capital Assets	21,472	10,000	10,000	10,000
Expenditure Total	\$ 4,058,580	\$ 5,517,010	\$ 7,664,730	\$ 8,026,781

	Actual FY 10-11	Adopted FY 11-12	Recommended FY 12-13	Proposed FY 13-14
Source of Funds Summary				
<i>Departmental Revenues</i>				
Federal & State Revenues	\$ 2,799	\$ --	\$ --	\$ --
Cost Allocation Revenue	2,867,149	2,160,724	--	--
Property Tax Admin Fees	739,050	750,500	718,000	721,000
Other Charges for Services	314,584	265,740	280,540	280,540
Miscellaneous Revenue	34,287	725,001	31,000	31,000
Revenue Sub-Total	3,957,869	3,901,965	1,029,540	1,032,540
Less: Intra-County Revenues	(3,010,541)	(2,145,961)	(1,740)	(1,740)
Revenue Total	947,328	1,756,004	1,027,800	1,030,800
<i>General Fund Contribution</i>				
	3,541,578	3,191,727	6,134,730	6,699,179
<i>Other Financing Sources</i>				
Use of Prior Fund Balances	--	569,279	502,200	296,802
Department Total	\$ 4,488,906	\$ 5,517,010	\$ 7,664,730	\$ 8,026,781

Note: The Proposed 2013-14 "General Fund Contribution" amount of \$6,699,179 displayed in the summary table above includes a projected General Fund Contribution of \$6,261,146 and a projected budget gap of \$436,293.

	Actual FY 10-11	Adopted FY 11-12	Recommended FY 12-13	Proposed FY 13-14
<i>Permanent</i>				
Administration	2.2	2.2	2.2	2.2
Auditing	4.6	5.0	5.5	5.5
Operations	30.5	29.2	29.0	29.0
Financial Reporting	5.7	5.1	5.5	5.5
Specialty Accounting	3.6	3.1	3.1	3.1
Total Permanent	46.7	44.6	45.3	45.3
<i>Non-Permanent</i>				
Extra Help	2.6	--	--	--
Total FTEs	49.2	44.6	45.3	45.3

Note: FTE totals may not sum correctly due to rounding.

MISSION STATEMENT

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.

Department Description

Governed by the overriding principles of fiscal integrity, objectivity, customer service and continuous improvement, the Auditor-Controller has four primary responsibilities. First, in accordance with California Statutes and generally accepted accounting principles, the department maintains accounts and records of the financial transactions for all departments and agencies whose funds are kept in the County Treasury. The Controller function provides reports and systems necessary to manage the County's operations utilizing modern financial applications. The Auditor levies, apportions and distributes property taxes to the County, Schools, Cities, Special Districts and Redevelopment Agencies. Next, the department furnishes customer focused financial decision making support to the Board of Supervisors, the Chief Executive Officer, and Department Directors to advance the strategic goals and principles of the organization. Additionally, the department provides independent, objective and cost-effective audit services. Finally, the department provides Advanced and Specialty Accounting Services to departments, schools and special districts. 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.

2011-12 Anticipated Accomplishments

Application Development:

- During the current year the project team added functionality to the World Wide Web-based interface to the County's Financial Information Network (FIN Web) for Budget Revision Request processing that automated a county-wide labor intensive manual process. The change also added clarity and uniformity to the budget action request to the Board of Supervisors. The project team also implemented process improvements in Payroll processing for a variety of reporting and adjustment functions in a continuing effort to make payroll accounting more efficient.

Systems and Property Tax:

- The Systems team migrated additional servers to new virtual infrastructure environment and decommissioned old servers to reduce maintenance overhead. This resulted in efficiencies since all virtual servers are now hosted on the same platform software. Certain older physical servers were decommissioned or repurposed as more current backup servers. Less staff time and vendor support dollars are spent to maintain these servers in this new environment.
- The Treasurer-Tax Collector and Auditor-Controller departments are working jointly to implement a new vendor system from Manatron. The departments are completing a gap analysis as part of the vendor contract to identify what changes will need to be made to the vendor product for Santa Barbara County. The Auditor-Controller does not believe that it will achieve all the functionality it requires exclusively through the vendor product and will be required to supplement functionality with in-house development.

AUDITOR-CONTROLLER

Department Summary (cont'd)

In addition, work on conversion of historical data into the new system has begun and is expected to require labor intensive resources through the life of the project to complete. A database warehouse storing all historical mainframe data was upgraded this year, reducing staff overhead required to maintain it and ensuring available data for conversion.

Finally, a virtual server infrastructure was implemented to host the various system components required by the vendor. The implementation of the Manatron property tax system will replace the 30-year old mainframe system and will automate additional property tax functions resulting in more efficient processing of property taxes for the County with better quality and controls.

Payroll:

- The Payroll division successfully teamed with Application Development division to automate several manual procedures in the payroll division, thereby increasing efficiencies and accuracy in biweekly payroll processing. Labor adjustment/labor suspense processes were created at the department level to eliminate centralized key entry. The Payroll division assisted the Human Resource department in revising the County's flexible benefits IRS Code Section 125 plan documents to comply with current IRS regulations.
- The Payroll division implemented changes in payroll processes due to new Health Care Reform legislation, along with required changes stemming from new agreements with County's multiple labor groups. The Payroll division worked with Santa Barbara County Employees Retirement System to implement a new process for retirement contribution refunds.

Internal Audit:

- Completed all, with the exception of one, mandated audits within the required due dates, including completion of the FY 2010-11 Single Audit and the Tax Redemption Officer Audit. Performed continuing departmental cash counts. Provided support to Alcohol, Drug and Mental Health Services for ongoing committee meetings. Other internal audits completed during the year included an audit over potential credit card misuse and another of the County's lease agreement with the Veterans' Council. The various audits generally include findings and recommendations to the various agencies for improvement of their accounting and business processes to ensure compliance with regulations.
- During fiscal year 2011-12, the division developed a Countywide Fraud Policy which was approved by the County Board of Supervisors.
- The division will also be responsible for assisting and coordinating with external auditors the Agreed Upon-Procedures engagements for the seven Successor Agencies in order to comply with the Redevelopment Agency Dissolution Act (ABx1 26).

AUDITOR-CONTROLLER Department Summary (cont'd)

Financial Reporting:

- Earned the Government Finance Officers' Association (GFOA) Award for Excellence in Financial Reporting for the County's Comprehensive Annual Financial Report (CAFR), for the twentieth consecutive year and the GFOA Award for Outstanding Achievement for the County's Annual Financial Highlights publication, for the fifteenth consecutive year. Achieving this award demonstrates a constructive spirit of full disclosure to clearly communicate the county's financial story and motivate potential users and user groups to read the CAFR.
- To keep the public informed on matters concerning public finances, the department has published and distributed concise, reader-friendly publications on numerous financial topics:
 - Financial Highlights
 - Annual Retail Sales & Use Tax Report
 - Annual Transient Occupancy Tax Report
 - Property Tax Highlights

These reports are available on our website: www.countyofsb.org/auditor

Advanced and Specialty Accounting:

- In order to enhance economic development in the County, the division proposed and drafted a public/private partnering Hotel Incentive Program intended to increase property tax, sales tax, and transient occupancy tax within the unincorporated area.
- New State legislation dissolved all Redevelopment Agencies (RDA) effective February 1, 2012. This division is providing fiscal support, advice and consultation to the County as Successor Agency for the former Isla Vista RDA to ensure a smooth implementation of the RDA dissolution. In addition, the division will provide support to the County's representatives on the seven Successor Agency Oversight Boards.

2012-14 Objectives

The County Auditor-Controller's strategic actions align primarily with the following the County's adopted Strategic Goals and Principles:

Goal 1: An Efficient, Professionally Managed Government Able to Anticipate and Effectively Respond to the Needs of the Community; and

Goal 5: A County Government that is Accessible, Open, and Citizen Friendly.

The Auditor-Controller's management strategy includes programs and projects that improve service delivery, are linked to the goals stated above and the department's mission statement. This is achieved by focusing on continuous improvement, customer service, the use of technology to improve work processes and to make information more available to the community that enhances the financial accountability and integrity of County government. These programs and projects generally span multiple years and are discussed below:

Application Development:

- The project team plans to add functionality to Financial Information Network (FIN Web) for travel claim data capture and processing, budget revision request processing, vendor claims initiation, and enhanced data search capabilities. This can result in implementation of additional efficiencies and outcomes to access data for travel analysis for availability by management and executives, automated budget revision processing, and enhance availability of financial data for policy makers, executives and management.
- The continuation of additional online transaction processing in FIN Web will gain other efficiencies and outcomes that include: faster transaction processing of claims payments, processing with fewer error corrections, control of disbursements resulting in potential interest earnings, and reduction of paper document retrieval and storage.
- The development of a new process in FIN Web for loading and analyzing budgetary information during the budget development process to better integrate budget development data with actual financial data. This initiative will also replace the fourteen year old budget development and the budget adjustment applications upgrading them to modern web-based technology.

Systems and Property Tax:

- The Auditor-Controller will continue to participate in all areas of the property tax project, including data conversion, system interfaces, reporting, functional design, and user testing. The Department will also work on development of related in-house systems to further support the necessary processes. This project will also need to integrate to the new Property Tax Assessment System being installed by the Clerk-Recorder-Assessor. The new vendor property system is not scheduled to be initially implemented until FY 2013-14 and will require a significantly longer period for full system implementation to maximize the efficiencies and outcomes of a new system.
- The Systems team plans to migrate all workstations to the Windows 7 operating system. Other projects include upgrading Web and Structured Query Language (SQL) Servers to newer versions of the software and further enhancements to the overall backup and disaster recovery strategies.

AUDITOR-CONTROLLER
Department Summary (cont'd)

Payroll:

- Additional automation of manual payroll processes by utilizing database management and development of enhancements to existing automated systems will enhance information available to the policy makers and our employees.
- The division will develop a new web-based time-capture system to replace an outdated time card application. The new system will create better controls within each department, allow for automation of complex regulatory compliance issues, provide a simpler user interface and add enhanced reporting capabilities.
- Implement enhancements to the County's internally developed payroll system. These improvements will allow the over 4,000 employees, who currently access the system regularly, easier access to their own payroll information and departmental payroll staff to better access their departmental information. The Payroll Division will continue to seek out improved efficiencies and controls in all remaining manual processes to accelerate and automate the payroll processing cycle.

Internal Audit:

- The division utilizes a risk based approach to determine where to deploy resources depending on availability. The division is focusing on disseminating information and increasing its audit presence to reduce risks at departments.
- The division will undergo a peer review that will provide recommendations for improvements to the County audit process.
- Internal Audit will continue to document and report compliance for departmental reviews and audits by other agencies, complete Board of Supervisors requests for audits and participate in the completion of the agreed upon procedures engagements for the seven RDA dissolutions. These audits and reviews can assist the County in avoiding negative audit settlements and will assist the taxing agencies in receiving money as a result of the dissolution of RDA's.

Financial Reporting and Specialty Accounting:

- The division will provide timely and accurate financial documents that include the County's Comprehensive Annual Financial Report, County Budget, Cost Allocation Plan and a variety of compliance and financial reporting documents to State Agencies. The prompt and accurate completion of these reports upholds the transparency and accountability in the use of public funds. Timely data provides the Board of Supervisors, County Executive Officer and management with the financial information necessary to provide service to the community.
- In conjunction with the County Executive Officer, the division will complete the Budget Clarity Project that will transform the current budget process away from a single year budget to a multi-year focus incorporating a financial planning cycle that includes a long term strategic plan, a five year financial forecast, a two year operational plan and a single year legally required adopted budget.

Changes and Operational Impact: 2011-12 Adopted to 2012-13 Recommended

Staffing:

- The Auditor-Controller's department does not have any staffing changes from FY 2011-12 adopted to FY 2012-13 recommended.
- The department has a projected staff of 45 employees with centralized operations in Santa Barbara and one satellite office in Santa Maria. As a result of the economic downturn the Auditor-Controller has dropped its budgeted staffing level over the last five years from 57.9 FTE in FY 07-08 to a proposed staffing level of 45.25 FTE in FY 12-13. Each of the past five years the department has held positions vacant, returned funds to the general fund balance at year end and reduced positions in the subsequent budget cycle to offset increases in salary, retirement and benefit costs. This has resulted in the reduction and unfunding of 13.3 FTE's or a 23% decrease in positions since FY 07-08.
- The recommended staffing level only maintains the same reduced service level as the prior year. The department will, however, request as part of the final budget hearings an additional position in the Property Tax Division for the required duties resulting from the dissolution of the RDA's. The legislation authorizing the dissolutions provides for reimbursement of the Property Tax Division staffing cost that will provide for the ongoing distribution of property taxes to the affected taxing agencies.

AUDITOR-CONTROLLER

Department Summary (cont'd)

Expenditures:

The Fiscal Year 2012-13 recommended operating expenditures increased by \$3,000 to \$7,656,000 from the Fiscal Year 2011-12 Adopted Budget of \$7,653,000. This 0.05% increase is the result of:

- + \$104,000 – increase in services and supplies due to a \$20,000 increase in charges from the Information Technology Department, \$24,000 increase in Professional Services cost for Information Technology projects and \$20,000 increase in external audit firm costs and \$40,000 increase in Special Department Expense for improvement to physical facilities for converting cubicles to fixed offices for management staff;
- - \$101,000 – net decrease in salaries and benefits due to concession savings.

Revenues:

The Fiscal Year 2012-13 recommended departmental revenues decreased by \$2,873,000 to \$1,029,000 from the Fiscal Year 2011-12 Adopted Budget of \$3,902,000. This 74% decrease is the result of:

- -2,161,000 – decrease in cost allocation plan (CAP) revenue . The cost plan revenue was transferred to the General Fund General Revenue department budget this fiscal year. This revenue account fluctuates significantly within an individual central service department budget from year to year. This change will smooth out the fluctuation in these departmental revenues by replacing it with a fixed general fund contribution;
- -\$694,000 – net decrease in miscellaneous revenue primarily due to one time escheated tax in FY 2011-12;
- -\$33,000 – decrease in Property Tax Administration fees caused by reductions of reimbursable costs;
- +\$15,000 – increase in other charges for services.

The Fiscal Year 2012-13 recommended departmental contribution of general revenues increased by \$2,918,000 to \$6,110,000 from the Fiscal Year 2011-12 Adopted Budget of \$3,192,000. This increase is primarily the result of:

- +2,161,000 – increase in departmental contribution since cost plan revenue for the central service departments was transferred to the General Fund General Revenue accounts;
- +\$725,000 - One time escheated tax revenue transferred to General Fund General Revenues;
- +\$284,000 – Relief from 50% solution to structural imbalance of one time FY 2011-12 funding sources reducing the draw on committed funds segregated for systems improvements and maintenance;
- -\$252,000 – FY 2011-12 concession savings.

Other Financing Sources and Uses:

The Fiscal Year 2012-13 recommended departmental other financing sources decreased by \$67,000 to \$502,000 from the FY 2011-12 adopted budget of \$569,000. This financing source is the departments fund balance committed to maintenance and development of the County-wide fiscal systems. Use of these funds will allow the department to maintain its current level of service in FY 2012-13 and balance its budget.

Budget Changes and Operational Impact: 2012-13 Recommended to 2013-14 Proposed

The FY 2013-14 proposed expenditures reflect a \$362,000 increase over the FY 2012-13 recommended budget, may force additional staffing reductions and is primarily the result of:

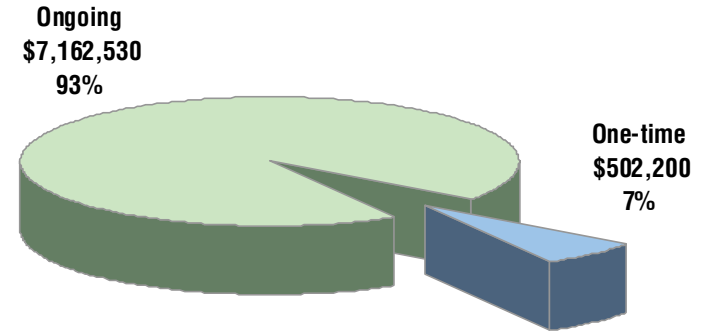
- +\$222,000 - increase in retirement contributions;
- +\$56,000 – increase in health, workers compensation and unemployment insurance premiums;
- +\$51,000 – increase in salaries;
- +\$33,000 – increase in services and supplies costs.

AUDITOR-CONTROLLER
Department Summary (cont'd)

Outcome Measures

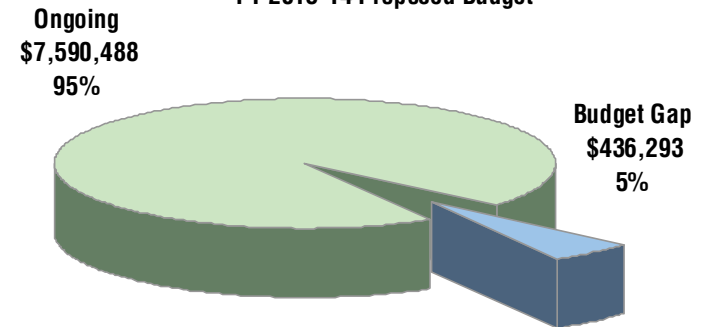
	Actual FY 10-11	Adopted FY 11-12	Recommended FY 12-13	Proposed FY 13-14
The number of financial reports viewable online by interested parties (Public/County employees) that will increase transparency of the County's fiscal position and availability of financial information. (Target = 60)	Not Used in Prior Years	Not Used in Prior Years	63	66
Percentage of overall user satisfaction level that will ensure the County's financial system consistently meets the needs and requirements of its customers. (Target = 93%)	96%	90%	93%	95%
The number of days following the Property Tax installment due dates that property taxes are distributed to approximately 100 taxing entities that will provide a major funding source for their delivery of services to the public. (Target = 10)	10	10	10	10
Percent of seven Special District audits completed by the legal due date to ensure compliance with Generally Accepted Accounting Principles and fair presentation of each districts financial position. (Target = 85%)	86%	86%	85%	85%

FY 2012-13 Recommended Budget



The FY 2012-13 Recommended Budget relies on one-time sources to fund 7% of the department's ongoing operations. These funds include \$502,200 from the Systems & Maintenance Fund Balance Component. These funds allowed the department to maintain a higher level of service than would otherwise have been possible; however, because these funds are one-time in nature, they will not be available to fund operations in FY 2013-14.

FY 2013-14 Proposed Budget



To maintain FY 2012-13 service levels, it is estimated that \$8 million of funding will be required in FY 2013-14. Of this amount, it is projected that \$7.5 million will be available through ongoing sources (including \$6 million in General Fund Contribution). An additional \$436,293 must be identified to prevent the need for service level reductions.