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Auditor-Controller

Business Plan 2008

County of Orange • Auditor-Controller



embracing change

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Table of Contents

Executive Summary.....	2
Section I – Agency Overview	4
A. <i>Vision Statement</i>	<i>4</i>
B. <i>Mission Statement.....</i>	<i>4</i>
C. <i>Statement of Values</i>	<i>4</i>
D. <i>Core Services that Achieve County Mission and Strategic Objectives</i>	<i>4</i>
1. Workforce	6
2. Innovation	6
3. Reporting Accuracy.....	7
4. Financial Integrity	8
Section II – Operational Plan	8
A. <i>Environment</i>	<i>8</i>
1. Clients	8
2. Challenges	9
3. Resources	16
B. <i>Action Plan.....</i>	<i>17</i>
ACCOMPLISHMENTS.....	24
<i>THREE-YEAR WORKLOAD MEASURES.....</i>	<i>26</i>

Executive Summary

The Auditor-Controller is the elected County official responsible for providing unbiased and accurate financial information to his many clients. Our internal clients (County Board of Supervisors, departments /agencies and employees) and County vendors count on us to provide financial services such as payment of claims and payroll processing. Conversely we rely on their cooperation to improve the efficiency and effectiveness of our systems. Our many external clients (county cities, schools and special districts) depend on our accurate and timely tax apportionments to fund their organizations. In addition, the department provides information to various stakeholders who have a vested interest in the effective functioning of the County, such as regulatory agencies, County bondholders, and the general public. These responsibilities require a major investment in personnel and financial /accounting systems, and a significant effort to stay current with technology, new legislation, and governmental accounting pronouncements.



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The department continues to increase countywide productivity through initiatives to develop electronic workflow processes. Last year, we completed the rollout of payroll adjustment workflow. This year we will be completing the prototype of the mileage claim workflow and will roll it out to several departments. Currently, the most widely used workflow process in the County is the Virtual Timecard Interface system (VTI) which will be expanded in 2008 to include the Probation Department. Additionally, the department developed and supports an Employee Pay Stub Portal that allows employees to securely access their biweekly pay stub information on the Web and eliminates distribution of 19,000 paper copies every two weeks. Other initiatives under way include workflow for deposit orders and a pilot of web-based procurement system that will expedite the procurement and payment for commodities.

Of strategic significance, we are in the process of replacing the financial portions of the Countywide Accounting and Personnel System (CAPS). This will not only increase effectiveness and efficiency, but will also create opportunities for new ways of doing business. In addition, a fit-gap analysis will be initiated this year to upgrade the payroll and human resources segment of CAPS. The CAPS+ project will consume considerable resources in the Auditor-Controller Department. With the implementation of CAPS+ and the reassignment of 15 highly trained and competent professionals, this year will be particularly challenging for our core operations.

Also, a project to replace the Assessment Tax System (ATS) is under way. The ATS team completed a Needs Assessment for the replacement system and the contract to code the system is awaiting Board approval. The implementation of these three critical systems has created logistical challenges for our department. Last year, in anticipation of these three critical systems, we built out office space to accommodate over 100 systems developers and integrators. This year, we are remodeling approximately 2,000 square feet of office space to develop a training center that will house 60 hands-on workstations that will be needed to train over 6,000 CAPS+ users. In addition, our department assumed responsibility for the roll-out of an enterprise-level training management system, Training Partners. Last year, implemented this system in the Health Care Agency, the Resources Development and Management Department, and the Integrated Waste Management Department and support the system in the Social Services Agency and our department. Our plan is to roll this out across all county departments and agencies to manage all CAPS+ training and the other training management needs of the County.

The department's Financial Reporting staff issued the County's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007, in compliance with the requirements of the Governmental Accounting Standards Board and received a clean audit opinion from the County's external auditors. It also continues to receive the Government Finance Officers' Association Certificate of Achievement for Excellence in Financial

Reporting. In addition to the CAFR, the Department issued its fourth OC Citizens' Report for the fiscal year ending June 30, 2007. This report continues to receive the Government Financial Officers' Association (GFOA) Award for Outstanding Achievement in Popular Financial Reporting. The OC Citizens' Report was completed to complement the CAFR and presents financial highlights for the County of Orange. It is intended for the general or casual reader of the County's financial statements. At last year's GFOA conference that was attended by over 7,000 finance professionals from the US and Canada, our Citizen's Report was held up as an exemplar for other governments. Both can be viewed on the OC Auditor- Controller Department web site (www.ac.ocgov.com).

As in prior years, the Auditor-Controller met regularly with all of his managers and staff, County executives from every department and agency, the CEO, and members of the Board of Supervisors. During these meetings, the Board members and department executives noted our positive impact on County government, and the value and criticality of services provided by this department. In particular, the Auditor-Controller shared his vision for improving the County's financial information systems. These visits, combined with information gained from client surveys, meetings with employees, performance measures, and personal observations, were used to assess existing goals.

From this assessment of service requirements, technological advancements and department resources, the Auditor-Controller established the department's strategic priorities to reflect its vision and mission. This incorporates the Auditor-Controller's desire to increase the efficiency, productivity, and utilization of financial systems through the application of technological enhancements.

The department continued to be successful in many efforts to improve staff well being. We continue to promote employee recognition; improve inter-office communications; support the Management Appraisal Plan; and develop efficient work environments as well as technical training.

The Auditor-Controller's vision is to be the County's trusted source of financial information to account for the past, direct the present, and shape the future. The Auditor-Controller's Department's mission is to promote public oversight, provide accountability, and support financial decision-making for the County. On the journey to fully achieving this vision and mission, the Auditor-Controller developed ambitious goals involving the entire County as well as the department. Annual updates on the strategic priorities will reflect the adjustments required to reach these goals (discussed in the next section).

Ongoing changes and increases in County programs constantly impact the Auditor-Controller Department. These challenges make it necessary for the department to implement the following practices: installing new technology, decentralizing certain activities, and taking a risk-based approach in maintaining control structures. Upon reviewing the goals for 2008 and beyond, the Auditor-Controller believes continuing adaptability will be crucial in fulfilling the vision and achieving the long-term goals. For 2007, the department accomplished nearly all of the strategic priorities established in its Business Plan. Continued progress towards meeting support-oriented goals (such as technological improvements and modernizing policies and procedures) will help to continue improving the level of services provided to clients.

This 2008 Business Plan emphasizes the importance of adding value to the County's services and programs by continuing the development and implementation of advanced technology, which will result in more efficient and faster processing, retrieval, and compilation of financial data for reporting, payment, claiming, and budgetary purposes. Combined with the continuing analysis of policies and procedures to determine the value of controls relative to business risks, this will serve to increase customer satisfaction while maintaining a sound control environment. By using technology to leverage resources, implementing new accountability measures for the department, and maintaining a leadership role in oversight of the County's financial activities, we will continue to increase the value of our accounting and financial services.

Section I – Agency Overview

A. Vision Statement

The Auditor-Controller Department's vision, mission statement, and goals for 2008 emphasize the value that its varied operations bring to its clients and stakeholders. The process of developing these core business statements was a collaborative effort involving all members of its management staff and other staff at varying levels throughout the organization, and these statements reflect the needs of the department's many clients and stakeholders.

The Auditor-Controller Department's vision is to be the County's trusted source of financial information to account for the past, direct the present, and shape the future.

B. Mission Statement

The Auditor-Controller Department's mission is to promote public oversight, provide accountability, and support financial decision-making for the County.

As the Auditor-Controller Department carries out its vision and mission, it will conduct business with the highest ethical and due diligence standards and demonstrate commitment to the public, other County departments and agencies, and its own employees.

C. Statement of Values

The Auditor-Controller has established a statement of values which demonstrates our commitment to the public, the County and our employees by:

- Conducting our business with the highest ethical standards
- Protecting the public's interest
- Treating our clients and employees with the utmost respect
- Exceeding client and stakeholder expectations
- Seeking opportunities to improve the effectiveness of our services
- Celebrating the accomplishments of our employees
- Rewarding innovation
- Promoting an open and collaborative environment
- Developing leadership skills at all organizational levels

D. Core Services that Achieve County Mission and Strategic Objectives

The Auditor-Controller Department has many core services that impact our internal and external stakeholders, including every County department. The Central Operations Division core services are those that one traditionally associates with the Auditor-Controller Department such as the apportionment of property taxes, accounts payable services, and financial reporting. Property taxes are a significant source of revenue for cities, schools, redevelopment agencies, special districts and the County and the timely and accurate apportionment of property taxes to these agencies is essential for them to meet their mandates. The Claims Section audits and allows payments which are statutorily required or which are provided for in contracts approved by the Board or by the County's Purchasing Agent. These payments are for a large variety of goods and services which are necessary to keep the county functioning. One of

the major services provided by the Financial Reporting group is the preparation of the County's Comprehensive Annual Financial Report (CAFR), which is a presentation of the County's financial information. It is used by the public, bond-rating agencies, governments, and internally to examine the financial health of the County. The Financial Reporting group is also responsible for preparing the Single Audit Report, a federal requirement for governments that receive federal financial assistance and is required to continue receiving such assistance. Other core services include payroll for over 19,000 County employees, cost accounting to help departments maximize revenues from federal and state funding sources for the recovery of County indirect costs, and the preparation of the Proposed and Final line-item County budgets. We also have professional Revenue Recovery Officers who increase County revenues by making contact with debtors who are delinquent with their payments to the County. Another essential service is provided by our Accounts Receivable Unit that inputs and monitors monies due to the County from others. The General Ledger Unit provides vital checks and controls for the County's financial records and performs daily monitoring and reconciliation of the County's bank accounts.

In addition to these traditional core accounting services, the department provides specialized accounting services to seven departments/agencies hosting out-stationed Auditor-Controller Department accounting teams. The accounting services provided by these teams are varied and are in accordance with the needs of the host department/agency. Examples of these specialized services are the performance of accounting functions such as over \$900 million in reimbursement claiming per year, financial reporting, accounts receivable, accounts payable, payroll, job cost accounting, grant accounting, special information reports for management decision making, providing consultation on special projects, and determining strategies to accomplish business objectives. The out-stationed teams are located in the Health Care Agency (HCA), Housing and Community Services (HCS), the Integrated Waste Management Department (IWMD), John Wayne Airport (JWA), the Resources & Development Management Department (RDMD), the Social Services Agency (SSA), and the County Executive Office/Public Finance Section.

Another provider of core services is the department's Information Technology Division, which keeps Auditor-Controller and Countywide financial systems running accurately and timely. Their support enables Auditor-Controller Department and financial professionals throughout the County to run systems and access the information necessary to perform their jobs. Some of the systems supported by the division include CAPS (financial and payroll), ERMI, the Data Warehouse, and property taxes. The division takes the lead in the implementation or planning for new workflow systems to increase County efficiency such as VTI (payroll timesheets), payroll adjustments, mileage claims, deposit orders, and journal vouchers. The division provides considerable support to the County's upgrade of its financial systems (CAPS+), the rewrite of the Property Tax Management System, and supports the upgrade of the Human Resources and Payroll system.

The CAPS Program Management Office (PMO) plays an essential role in the on-going management of the County's financial, purchasing, and human resources information systems (CAPS). The PMO keeps the current CAPS system running smoothly and plays a key role in the major upgrade of the financial/purchasing system to a web based format (CAPS+). This major upgrade is due to be implemented in July 2009.

Another core element of the department is the Internal Audit Unit. This unit performs the Auditor-Controller's legally mandated audits required by the Government Code. These include quarterly reviews and an annual audit of the Treasury Statement of Assets, the biennial audit of the Probation department's books and accounts, monitoring of Special District financial statements, and investigation of cash losses reported by County management. This year, at the request of the Board, the unit assumed an additional responsibility for daily monitoring of the investment portfolio for compliance with the Investment Policy Statement. The Auditor-Controller is responsible for risk identification and establishing and maintaining a system of internal controls. This unit helps to meet that mandate by providing an opinion on risk management and control, by measuring and evaluating the effectiveness of these controls and systems in achieving the Auditor-Controller's objectives.

The following four sections explain strategies that the department uses to achieve its core services. These are our workforce, innovation, reporting accuracy, and financial integrity.

1. Workforce

Staff is the department's most important resource. This belief is embodied in the Auditor-Controller's Departments "Statement of Values," and is closely linked to both our Mission and Vision Statements. Staff is the common element in everything this department does, from processing an accounting transaction to making a vendor payment to monitoring the County's multi-billion dollar budget. This is the case whether those tasks are done in an automated or manual manner.

IWMD Accounting collected \$98 million from landfill deferred charge customers.

The Auditor-Controller Department's mission is essential to the success of County government meeting its responsibilities to Orange County residents. Maintaining a highly qualified and well trained staff is essential to our continued success. For our accountants, this starts with our college recruiting efforts. Last year, we recruited twenty new accountants from several local colleges and universities. The success our recruiting has been bolstered by our close affiliation with these institutions. We participate in a variety of on-campus events. At California State University, Fullerton, we are invited to guest lecture in accounting classes. This year, the Auditor-Controller is serving on the accounting program's advisory committee.

Because of the continual inflow of new accountants, the department established programs to help ensure that staff has the necessary skills and motivation to carry out their responsibilities. An important part of the department's training efforts is the Thomas P. Horton (TPH) Accountant Training program implemented in 2001. This program provides our beginning accountants with the basics of governmental accounting and the specific processes we use to serve our clients. The Auditor-Controller Department recognizes the importance of this knowledge for all County financial staff; therefore, we plan to open the TPH Accountant Training program to other departments as space permits.

In 2007, twenty new Accountants were trained and completed the required Accountant training program.

The emphasis on training and staff recognition are evident throughout this business plan. Minimum standards have been established for training, and recognition programs were developed and implemented, and have been, in some form, adopted by the County. Also, the department's annual employee recognition efforts culminate at the employee recognition and awards luncheon where all staff's hard work and accomplishments are acknowledged.

Regardless of the difficulties the County must overcome, the quality of staff is the constant among our resources and must be maintained. With the implementation of CAPS+ and the reassignment of 15 highly trained and competent professionals, this year will be particularly challenging. Staff will be required to accomplish the critical tasks and the growing workload without commensurate increases in numbers. Key concepts that the County must embrace to meet its challenges are training, recognition, communication, and empowerment of staff.

2. Innovation

The department places a major emphasis on innovation and is working on several major system upgrades or replacements. The department takes a leadership role in replacing the County's Accounting and Personnel System (CAPS). The replacement system is called CAPS+ and Phase 1 of the financial and purchasing portion of the system is scheduled to go live in July 2009. The replacement of CAPS is in the County Strategic Financial Plan and we are helping to lead that effort. There are dozens of Auditor-Controller Department, CEO/Purchasing, vendors and consultants working full time on the implementation effort. Additionally, over 100 County managers are involved in CAPS+ Focus Groups and thousands more will be trained before implementation. This is truly a County wide effort. CAPS+ users throughout every County department/agency will use the system to deliver services to their internal

and external customers. The County will take advantage of the capabilities of CAPS+ to improve the administrative processes, re-engineer existing business processes, streamline workflows, reduce paperwork, enhance controls, improve management reporting and reduce administrative cost.

Another major system replacement that shows our embrace of innovation is our key role in the replacement of the human resources management and payroll portions of CAPS. A consultant has completed their review of County business processes and has recommended an upgrade. It is anticipated that a recommendation for the upgrade will be presented to the Board of Supervisors for action April 1, 2008. We are anticipating that six of our senior accounting and systems personnel will be assigned to complete the fit/gap analysis of the upgraded system.

The department is also working on the re-write of the Property Tax Management System (PTMS). The current system cuts across departmental lines and the Auditor-Controller Department is working with the Clerk of the Board and Treasurer-Tax Collector on a replacement system. An accurate and efficient PTMS is essential to ensure that over 250 tax-receiving entities throughout the County continue to receive their tax apportionments on time. We estimate that a vendor selection and the award of a contract will take place in early 2008 and the vendor will be on-site by June 2008.

Other examples of the value we place on innovation include the rollout of the Fund Revenue and Expense Tracking (FRET) system in 2007, to assist financial managers and department heads track actual revenues and expenses. Another example is our ongoing support of Virtual Timesheet Interface (VTI) which provides an automated workflow utilized by almost every County department/agency to process employee payroll data. We also automated workflow processes for mileage claims and deposit orders. Both of these new innovations should be rolled out to departments/agencies during 2008.

3. Reporting Accuracy

There are many examples of the importance the department places on reporting accuracy. This impacts all County departments and enables the County to continue to qualify for millions of dollars in State and Federal reimbursements. One example is the preparation of the Comprehensive Annual Financial report (CAFR). The CAFR is compiled by taking raw financial data and transforming it into a coherent, accurate report that complies with Generally Accepted Accounting Principles (GAAP). To comply with GAAP, each year the department is required to implement Governmental Accounting Standard Board (GASB) pronouncements that affect CAFR reporting. The same high standards that are used to produce the CAFR are also used by the department to prepare required financial statements for the Integrated Waste Management Department, John Wayne Airport, the Orange County Development Agency, and the Orange County Special Financing Authority. The accuracy of all these financial statements is validated by audits performed by an independent, external auditor. The highest standard by which all CAFR's are measured is the Governmental Finance Officers Association (GFOA) program called the Certificate of Achievement for Excellence in Financial Reporting. The CAFR has earned the GFOA Certificate every year since FY 1979-80 (excluding two bankruptcy years).

Another example of the emphasis placed on reporting accuracy is the requirement that reimbursement claims and reports submitted by the department to state and federal agencies be subjected to a process to validate the document's accuracy. A standardized checklist provides a step-by-step process our staff uses during the planning, preparation, review, and signature process for reimbursement claims and reports.

The department also stresses reporting accuracy in training classes provided to new accountants. Senior department managers teach these classes and emphasize that nothing in the preparation and submission of claims/reports is more important than accuracy.

4. Financial Integrity

The pursuit of financial integrity is the guiding principle that governs our actions as we complete our job duties. The department's Vision Statement states that our vision is ...*"To be the County's trusted source of financial information to account for the past, direct the present, and shape the future."* The key element of our Vision Statement is trust. Trust is never given, but is earned. We earn that trust by expecting, and receiving, the highest level of integrity from our staff in the daily performance of their job duties. The importance of truthfulness, honesty, and integrity are stressed to new accountants during training provided by senior department management. The trust we enjoy today was earned by decades of accurate tax apportionments to over 250 tax-receiving entities in the county, correct payments made to thousands of vendors and contractors, and billions of dollars in accurate reimbursement claims validated by post-claim audits. We can not rest on our laurels, but must continue to emphasize and expect integrity at all levels of the department to ensure the Auditor-Controller Department always remains...*"the trusted source of financial information..."*

Section II – Operational Plan

The Auditor-Controller Department updated its Operational Plan for 2008 to match its vision, mission, and goals set forth in Section I. Upon careful examination of our client population and challenges, and the resources available to us, the department determined that a single operational plan is the most appropriate way to measure its success in attaining each of its goals. This is because the goals are closely inter-related, involve the team efforts of staff working in all sections of the department, and cannot be separated into distinct programs that can be independently measured.

A. Environment

1. Clients

The Auditor-Controller Department's clients are divided into three major categories: internal clients, external clients, and other stakeholders.

1.1. Internal Clients

- **Departments/Agencies (the Board of Supervisors, the County Executive Office, and all other departments/agencies that use Auditor-Controller Department services):** The Auditor-Controller is the chief accounting officer for the County and operates its central accounting systems. As such, County leadership depends on the Auditor-Controller Department to provide accurate revenue projections and budgetary control over Board-approved appropriations. Other departments and agencies also depend upon the Auditor-Controller Department to provide timely basic services such as payroll, vendor payments, cost accounting, and general accounting without interruption. This

RDMD Accounting prepared over \$35 million dollars in Santa Ana River subvention claims for submission to the State.

allows the other departments and agencies to focus on their core businesses, thereby ensuring that their clients receive service they require and deserve.

In addition to these basic accounting services, the department provides specialized accounting services for departments/agencies hosting an out-stationed Auditor-Controller Department accounting team. Examples of these specialized services are the performance of accounting functions

JWA Accounting began collection, monitoring and reporting of the new Passenger Facility Charge (PFC) in July 2006 with total revenues of \$20.8 million collected for FY 2006-07

such as reimbursement claiming, financial reporting, accounts receivable, accounts payable, payroll, job cost accounting, grant accounting, special information reports for management decision making, providing consultation on special projects, and determining strategies to accomplish business objectives.

- **County Employees:** County employees rely on the Auditor-Controller Department for critical services such as payroll and reimbursement programs. The most important product of the department to these clients is payroll services. Without timely, accurate payroll services to compensate its employees, the County could not meet its mission of providing constituents with critical services.
- **Auditor-Controller Department Employees:** Although services such as payroll are just as important to the Auditor-Controller's own staff, the department also must ensure that its most important resource, its people, are motivated and equipped with necessary tools to accomplish the mission of the department and work diligently towards attaining its vision. Staff development, through improved training opportunities and a performance recognition program, allows the department to make progress towards these objectives.

1.2. External Clients - Non-County Clients who receive Auditor-Controller Department Services.

- **Other Governmental Entities (State agencies, Federal agencies, cities, special districts, school districts, and other governmental or quasi-governmental agencies):** These entities require many forms of reporting, including financial statements and various types of reports, to manage their businesses and comply with the many laws and regulations under which they work. Additionally, many of these entities are dependent on the Auditor-Controller Department to ensure their revenue streams are in place, such as property tax apportionments, Proposition 172 Public Safety Sales Tax funds, and other types of revenue. Basic accounting services are also provided for some specific non-County entities, such as a few independent special districts.
- **Individuals, Vendors, Private Sector Entities, Clients of County Departments/Agencies:** The Auditor-Controller Department makes payments to the County's creditors and vendors, provides information or reports to businesses and individuals, including clients of other departments/agencies, and participates in oversight of public assets for all interested parties through membership in the Audit Oversight Committee, the Treasury Oversight Committee, and the Public Finance Advisory Committee.

HCA Accounting prepared close to 230 claims and reports for HCA programs, totaling over \$400 million in revenue.

1.3. Other Stakeholders

These clients, such as rating agencies, investors, and public oversight groups, overlap with the individuals and private sector entities cited under "External Clients". In addition to the services provided to external clients, the department provides other stakeholders with services in the area of oversight and financial information such as annual reports, specifically the CAFR and ballot fiscal analyses. Along with this type of reporting goes the assurance that the overall accounting systems in place are functioning as intended by management.

2. Challenges

The Auditor-Controller Department is constantly challenged by the growing needs of County departments, agencies and their programs, which require greater accounting support from this department. Examples include the ongoing upgrade of the County's accounting, financial, personnel, and property tax systems;

requests from other departments for interfaces with accounting systems to make their departments more efficient; legislative and other legal mandates impacting operational areas; and accounting policy and procedural mandates set by standard-setting bodies such as the Governmental Accounting Standards Board (GASB). Much of this activity will continue irrespective of the State's fiscal situation. Specific challenges facing the department in 2008 are detailed below.

2.1. Legislative Mandates/Litigation/Other Mandates

The Auditor-Controller Department continues to meet the challenges resulting from new legislative and other mandates. The department must also implement new generally accepted accounting principles (GAAP) for governmental agencies as mandated by the Governmental Accounting Standards Board (GASB). Meeting these challenges requires reallocation of resources and reprioritization of other tasks and, in some cases, delays in completing other tasks. We will continue to track ongoing legislation, litigation, and pronouncements and inform the CEO and Board of significant changes affecting our department. The Auditor-Controller is an active member of the California State Association of County Auditors Legislative Committee. This ensures that the department is kept aware of any legislation that ensures or enhances the operability of our mission. Mandates impacting our 2008 workload include:

- Starting with the 2007-08 budget year, the department began performing Auditor-Controller's legally mandated audits of the Treasury (pursuant to Government Code Section 26920) and Probation (pursuant to Welfare and Institutions Code Section 275). A new unit was established and two new staff positions were added for this new function. The unit is set apart from the accounting operations of the department and as such, this internal audit function reports directly to the Auditor-Controller. Recently, the unit has been called upon by the Board to perform daily compliance monitoring of the \$7 billion investment portfolio.
- The State, in FY 2004-05, implemented legislation referred to as "Triple Flip" which replaced one-quarter percent of local sales taxes with property taxes for Cities and Counties. This exchange has been implemented and is being monitored, and at some future date this flip will be reversed when the State debt is retired.
- Compliance with Health Insurance Portability and Accountability Act (HIPAA) regulations.
- Implementation of new Governmental Accounting Standards Board (GASB) Statements:
 - a. GASB Statement No. 50, *Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The requirements of this statement are effective for the financial statements for periods beginning after June 15, 2007, which requires the County to implement this statement in FY 2007-08

The Department received the GFOA Certificate of Excellence for both the CAFR and the OC Citizens Report.

General Accounting received the State Award of Excellence in Financial Reporting.

- b. GASB Statement No. 51, *Accounting and Reporting for Intangible Assets*. This statement establishes criteria for an intangible asset, accounting and reporting treatment, internally generated intangible assets, and amortization of an asset. Examples of such assets include easements, water rights, timber rights, patents, trademarks, and computer software. The statement also requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The requirements of this statement are effective for the financial statements for periods beginning after June 15, 2009, which requires the County to implement this statement in FY 2009-10.
- c. Plan for GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*.
- d. Plan for the implementation of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. The requirements are effective beginning fiscal year 2008-09.
- e. GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intro-Entity Transfers of Assets and Future Revenues*.
- f. GASB Statement No. 45, *Accounting for Other Post Employment Benefits*. The department has played a key role in the early identification of the reporting requirements. The Auditor-Controller participated on two committees that collectively produced a plan that reduced unfunded retiree medical liability by \$959 million and will result in an additional savings of over \$600 million by avoiding future expenditures that would have been incurred with the current workforce. The Auditor-Controller has been an invited speaker at several state-wide and national conferences to share the county's success in restructuring the retiree medical plan.
- Compliance with new Statement on Auditing Standards Risk Assessment Standards (No. 104 – 111). These new standards primarily require the auditors to focus on the entity's internal controls, identifying and assessing the risk of material misstatement, and perform audit procedures in response to those risks.

2.2. Technology

County Accounting and Personnel System (CAPS) Replacement Strategy

The County's financial, purchasing, human resources and payroll information systems, collectively known as "CAPS" ("County-wide Accounting and Personnel System"), are a vital component of the County's infrastructure. These systems are required for County operations such as preparing financial plans, developing budgets, maintaining financial records, generating financial statements, collecting costs for federal and state program billings, procuring goods and services, making vendor payments, processing payroll, and administering personnel records. CAPS is licensed to the County by CGI, Inc. and is comprised of their multiple Enterprise Resource Planning (ERP) Advantage 2.x software products.

CAPS in its current form is nearing the end of its useful and economic life. In May 2006 the Board of Supervisors adopted two strategies to address this issue:

- Pursue a CGI, Inc. Advantage 3.x upgrade strategy for the County's Finance and Purchasing systems

- Pursue a value driven strategy for the County's current Human Resources and Payroll systems

These Board adopted strategies were a result of recommendations proposed by the CAPS Steering Committee (CSC) which is comprised of the County Auditor-Controller, Senior Director Auditor-Controller/Accounting and Technology, Deputy CEO/Chief Financial Officer, Director of Human Resources and Employee Relations, and Deputy CEO/Information and Technology. The CSC recommendations were derived from a strategic assessment completed by Gartner, Inc., under the auspices of the CSC, to evaluate alternatives available to the County to replace CAPS.

Finance System Upgrade

In July 2007 upon completion of a six month Upgrade Analysis, a contract was established with CGI, Inc. for the Advantage 3.x Finance System upgrade not to exceed \$17.4 million. This Upgrade Analysis Document summarizes the results of the fit/gap analysis, technical assessment and implementation planning conducted during the Envision Phase of the CAPS Financial and Procurement Upgrade Project. The CAPS Upgrade Project is compromised of two implementation phases. Phase I includes Financial and Procurement while Phase II consists of Budget Preparation (BRASS replacement), and Vendor Self Service.

The primary objective of the project is to upgrade CAPS from the CGI Advantage 2.X ERP product to the 3.X release. In addition to the primary objective, there are secondary objectives to take advantage of new capabilities within the Advantage 3.X release that can improve the County's administrative processes and to re-engineer existing business processes, streamline workflow, reduce paperwork, improve controls, improve management reporting and reduce administrative cost. A tertiary objective is lowering on-going operating and maintenance costs by moving from the current mainframe platform to a server based platform and to reduce software maintenance costs by making only necessary modifications to the base software and employing the on-going services of CGI to install and test those modifications as CGI releases new versions of the system.

The core project team is comprised of between forty and fifty consultants, subject matter experts and business analysts who are dedicated full-time to this project. The Auditor-Controller Department has acquired facilities to locate this team with the assistance of the CEO. In addition, the Auditor-Controller Department is remodeling approximately 2,000 square feet in Building 12 to house 60 workstations that will be used to train an estimated 6,000 CAPS+ users.

Human Resource / Payroll System Analysis

In 2006 a contract was established with AgreeYa Solutions to analyze the Counties processes and to recommend a replacement solution for the current CGI Advantage 2.X system. The primary objectives include:

- Quantify the level-of effort and related cost (TCO) to implement a new solution or upgrade
- Identify technical capabilities and cost effective platform to run the applications
- Identify integration concerns with the CGI Advantage 3.X Financial System.

The analysis was completed and the results will be submitted to the Board in April 2008 with a recommendation to upgrade the HR/Payroll system to CGI 3.X.

Meeting Continued Service Demands of CAPS Users

Given that a replacement for CAPS is not expected to be in place for a number of years, there are a number of challenges as well as opportunities for the Information Technology (IT) Division:

Ongoing Support

The IT Division not only continues to provide ongoing support of the core financial and payroll accounting systems, but also seeks to find ways to improve processes through automation.

Leveraging Existing Technology

Realizing that implementation of the replacement system will take a number of years; the Auditor-Controller Department will continue to foster an environment that encourages innovation in office automation. The impact can be significant and successful implementation will require teamwork, cooperation, commitment and active participation by various systems owners. A number of initiatives are already under way or have been completed:

- The rollout of the Fund Revenue and Expense Tracking (FRET) system in 2007, to assist financial managers and department heads in tracking actual revenues and expenses. The application, which utilizes Business Objects, was upgraded to XI. This new version offers web based dashboard reporting and analytical tools. In 2007 we initiated FRET II, to present information in a web based dashboard form that is easy for high-level managers to understand. When fully implemented this will give analysts the ability to drill down to the most miniscule detail. This system will be rolled out to agencies in 2008.
- Partnering with Integrated Waste Management Department (IWMD) and CEO Purchasing in the Integrated Purchasing and Payables Processing (IP3) project. This project has a number of significant objectives. The most important being to develop a model to standardize the requisition, procurement and payables process via automation. A working model for the entire procurement and payment process will be used as the basis for a countywide deployment. During the past year, processes have been mapped, and key issues have been identified and addressed. The pilot with IWMD was completed in 2007 and the lessons learned from IP3 will translate into functionality being applied in the upgrade of the Financial Systems.
- Elimination of data entry services. The Auditor-Controller Department developed a workflow process to eliminate paper-based processing of Deposit Order and Mileage Claims documents. The mileage claim workflow will enhance the controls over the process while substantially reducing the time it takes to reimburse employees for their county related expenses. The current plan is to roll out these applications in 2008.
- Ongoing support of Virtual Timesheet Interface (VTI). Currently the number of employees utilizing VTI is approximately 14,700. We are in the process of implementing the system in the Probation Department and are also planning to implement at OCERS in 2008.
- Continue to partner with Treasurer-Tax Collector for Electronic Funds Transfer (EFT) and Electronic Returned Items Processing. This will allow for electronic payments of vendor invoices and electronic processing of checks returned by the bank.
- Ongoing support of Training Partner (TP). We currently maintain TP and supported a plan in 2007 for County wide implementation. By the end of 2008 this application will become the primary method for all employees to sign up or document their training. Currently TP is fully utilized by SSA, HCA and RDMD. It will also be the process of where staff will go to sign up for the new CAPS+ training.
- Partnering with the Treasurer-Tax Collector and the County's banking services provider to pilot the "Desktop Deposit" process. This will enable secure, electronic transfer of check images to the bank, thereby eliminating the need for handling of the paper check document and speeding up check clearance times." The above-mentioned initiatives will require a number of resources from the CAPS Support staff resulting in fewer resources available for other enhancement

SSA Accounting prepared over \$640 million in administrative and assistance claims.

requests. Prioritizing requests will be critical. Greater emphasis will be placed on quantifying the cost/benefit of any significant project such that payback occurs before the system is replaced. To that end, the CAPS Systems Management Team has developed a process to track requests and initiatives and produce a report that the CAPS Steering Committee can use to prioritize and approve requests. Planning for approved requests will be coordinated with CEO-IT as resources and support will be required from their organization.

Property Tax Management System (PTMS)

The project to replace PTMS is under way. The PTMS Team conducted a Needs Assessment for PTMS. The scope of this project includes:

- Identifying the processes associated with the Auditor-Controller (AC), Clerk of the Board (COB) and Treasurer-Tax Collector (TTC) Property Tax System.
- Documenting the existing process.
- Identifying areas for improvement in the existing system/processes.
- Developing a comprehensive System Requirements Specification for the new Property Tax System.
- Presenting alternative ways to implement the System, citing the advantages and disadvantages of each approach.
- Creating an Implementation Plan including timelines and expected costs for the development of the Auditor-Controller, Clerk of the Board and the Treasurer Tax Collector Property Tax Management System (PTMS).

The Property Tax Section implemented changes required as a result of the passage of State Assembly Bill 2670, and also provided extensive support for the completion of the needs assessment phase of the property tax system upgrade.

The Needs Assessment phase was completed in May 2007 at a cost of \$1.6 million for consulting services. With this phase completed, the project team commenced with a Request for Proposal (RFP) to contract for the development and deployment of the PTMS. We estimate that this project will take an estimated 2.5 years to fully implement. The selected vendor should be onsite by June 2008.

One key element to the PTMS strategy will be funding for the project. We have identified approximately \$21 million of General Funds that needs to be incorporated in the Strategic Financial Plan. Some of these funds will be reimbursed through Property Tax Administration charges. In cooperation with the Treasurer-Tax Collector, we have identified a method to internally finance this development effort, thereby, reducing the strain on General Fund reserves and spread out the cost to the cities and special districts that will be participating in the cost of the system.

2.3. Monitoring and Mitigating Risk

As County departments change and reengineer their business processes to increase efficiencies and implement new technologies, the Auditor-Controller Department is consistently working to control risk at the appropriate level. Over-control of risks can create needless redundancies that add no value to the mitigation process. Failure to modify checks and balances for new business processes can lead to new risks.

County departments are now struggling to reduce their budgets, and as a result they are continuing to implement efficiencies and streamline operations. Performing more work with fewer resources can sometimes lead to unanticipated risks, and the Auditor-Controller Department will be working to ensure

that all risk control measures are comprehensively enforced, and that the gate-keeping functions of the office remain secure. This is a high priority for the department.

The Auditor-Controller's Department directs a wide array of processes to monitor and mitigate risks and looks to new, innovative processes for improvement. Following is a summary of some of these processes:

- **Client Surveys.** A variety of client surveys are conducted and all Auditor-Controller Department operations are covered within a two-year cycle. This year's surveys are presented in Appendix G.
- **On-Site Tours.** The Auditor-Controller tours all out-stationed accounting operations at least once a year and meets with department heads to discuss these operations.
- **Agencies/Departments Visits.** The Auditor-Controller meets with heads of all agencies/departments which do not have out-stationed accounting staff to discuss services provided by the Auditor-Controller Department's Accounting Operations and Information Technology Divisions.
- **Status Reports.** Section managers prepare bimonthly status reports based on the "Balanced Score Card" concept. Key internal control areas, such as reconciliations, training, and audits are included as standard topics.
- **Annual Audits.** The Auditor-Controller oversees annual audits of the County's financial records, conducted by an independent CPA firm, resulting in the issuance of a Comprehensive Annual Financial Report (CAFR), Single Audit Report and Component Unit Financial Statements.
- **Internal Audit Unit.** The Internal Audit Unit performs quarterly and annual reviews of the investment fund and daily compliance reviews of the Investment Policy Statement. The unit is also responsible for a comprehensive triennial audit of the Probation Department. In its limited remaining time, the unit performs special studies and reviews risks related to departmental operations and makes recommendations for improvement.
- **FRET.** The implementation of the Fund Revenue and Expense Tracking (FRET) system is a key step in reducing financial risk throughout the County (discussed further in Section 2).
- **Claims/Reports Issuance.** We have summarized our standard procedures for preparing claims/reports and developed a checklist to help ensure these are consistently followed throughout the department. It also provides a good training tool for our new accountants.
- **Risk Assessment Survey.** A formalized risk assessment project was completed for the department. All units completed a risk analysis and rated their greatest risks using criteria designed to rank risks in order of highest to lowest. The next step evaluated existing controls and implemented additional controls in the top risk areas where necessary.
- **Sponsorship and Participation in the Steering Committees for CAPS and PTMS.**
- **Participation in the Audit Oversight Committee, Treasury Oversight Committee and Public Finance Advisory Committee.**

2.4. Ongoing Need for Training

Training will continue to be emphasized as sophisticated tools, such as data mining for retrieving information, become readily available to the end-user. This is consistent with the strategic view that the capability to manage and process information be pushed down to the user level. Funds needed for training staff on new technology enhancements and other job-related subjects have been included in the department's strategic financial plan.

2.5. Succession Planning

Auditor-Controller Department employees are a key resource for the successful operation of our department as well as other departments/agencies and the County as a whole. The value of our employees is clearly demonstrated by the fact that this department continually has key professional accountants and

managers recruited away to other departments. The skills, knowledge and experience gained through service in this department provide a benefit to the other County departments/agencies to which its employees transfer. However, it also creates a vacuum in the Auditor-Controller Department, and the continual need to recruit, select and develop staff to replace those who have transferred. Adding to this, approximately 17% of the department's employees will reach age 55 during the next five years and have 20+ years of County service.

In June 2007 we were faced with significant staffing changes as we prepared for the development of a new County Accounting and Personnel System (CAPS). The fit analysis, which has been completed, required a team of approximately a dozen part-time Auditor-Controller Department employees (as well as vendors and staff from other departments). In June 2007, a team of 12 full-time Auditor-Controller Department staff was assigned to the CAPS Development Project. As a result, we were required to backfill the critical line operations staff as they were vacated. Additional resources were required to train staff, reorganize operations, assess priorities, and develop new facilities in full support of the project.

3. Resources

The Auditor-Controller Department is organized into three major divisions: (1) Central Operations, (2) Satellite Accounting Operations, and (3) Information Technology. Three smaller sections that come under the executive management umbrella and report directly to the Auditor-Controller are CAPS+ System Implementation, CAPS Program Management Office, and the Internal Audit Unit. Also, departmental administration, including purchasing, human resources, and budget report directly to the Senior Director Accounting and Technology, Auditor-Controller. With a net County cost of \$8.4 million and \$27.1 million of cost apply and revenue from services provided mostly to other departments/agencies, the Auditor-Controller Department is dependent on the General Fund for much of its funding. Current budget issues confronting the County present additional challenges to department resources and potential associated risk.

3.1. General Funding

The accounting services provided by the Central Operations Division are primarily financed by general-purpose revenues of the General Fund, with the exception of Collections/Accounts Receivable. The out-stationed accounting teams in the Satellite Accounting Operations are funded entirely by the host departments/agencies (HCA, HCS, IWMD, JWA, RDMD, CEO/Public Finance, and SSA) that have outside revenue sources. The Information Technology Division functions are funded with general-purpose revenues of the General Fund.

3.2. Technology Issues

In order to meet the changing workload demands identified in the "Challenges" section and to maintain a high level of services to its clients, the department identified specific resource issues, which are discussed below:

- Information Technology Division. As described earlier, staff is involved in the implementation of a number of significant process improvements using existing technology. Such efforts will continue as a new ERP application is not expected to go live for a number of years. Another reason to continue with these initiatives is that they will leave the County better prepared to implement the new ERP. Users who have already been through the exercise of business process improvement will be more receptive to the "Best Practices" that will come with the new ERP.
- Consultants. In addition to day-to-day responsibilities, staff is expected to devote considerable time working with consultants in implementing the CAPS replacement strategy. We anticipate that we will be able to complete these tasks using existing resources.
- CAPS. Additional limited-term Information Technology resources will also be required to support implementation of the upgrade. In addition, end-user staff is likely to be required to commit resources to be part of the project team. Limited-term staffing will be required to backfill these positions.

- PTMS. Additional limited term resources have been authorized to support the PTMS reengineering project. Consulting services are expected to be engaged during the Development and Deployment phase of the PTMS.

B. Action Plan

1. Strategic Goals and Strategies to Accomplish

Strategic priorities and outcome indicators for each of the department's goals were established for 2007. Although there are numerous strategic priorities, it is important to note that most of the department's resources will be expended on two of them: the successful daily operations of the County's central accounting systems under Goal #1, and the provision of ongoing accounting services to host County departments/agencies under Goal #2.

Goal #1 is to assist in controlling the financial risk faced by the County. Strategies to accomplish this goal include:

- ◆ Performing the audits of the Country Treasury as required by law.
- ◆ Maintaining a leadership role on the County's financial management team for issues relating to financial oversight activities.
- ◆ Providing additional information to management allowing increased oversight.
- ◆ Reviewing the costing of collective bargaining strategies and contracts as directed by the Board of Supervisors.

A. The Outcome Indicator for this goal is to perform the required audits and to issue the required reports timely.

Performance Measure	FY 06-07 Results	FY 07-08 Plan	FY 07-08 Anticipated Results	FY 08-09 Plan	How are we doing?
<u>What:</u> Quarterly and annual audits of the County treasury as well as daily monitoring of the County's investment portfolios. <u>Why:</u> Provide assurance to the public that the cash and investments on hand are equal to those reported by the Treasurer.	New performance measure.	Perform audits of the Treasury for the quarters ending 6/30/07, 9/30/07, and 3/31/08 and the annual audit for the year ended 12/31/07 and submit the required reports on time.	We plan to issue all audit reports on time.	Perform audits of the Treasury for the quarters ending 6/30/08, 9/30/08, and 3/31/09 and the annual audit for the year ended 12/31/08 and submit the required reports on time.	Quarters ending 6/30/07 and 9/30/07 submitted on time. However, the 12/31/07 annual audit will be submitted late due to delays in obtaining audit information. We expect this delay may also affect submitting the 3/31/08 quarterly report on time.

B. The Outcome Indicator for this goal is to produce quarterly sets of FRET reports for review by department fiscal managers.

Performance Measure	FY 06-07 Results	FY 07-08 Plan	FY 07-08 Anticipated Results	FY 08-09 Plan	How are we doing?
<u>What:</u> Quarterly reporting of financial information, revenue and expenditures. <u>Why:</u> Provide data to departments/agencies on a regular basis to monitor budgetary standing.	Additional measures were developed and implemented in the FRET process.	Continue adding functionality as required. FRET II will be deployed with a new Dashboard appearance.	FRET II will be implemented allowing the FMF managers a graphical presentation of their funds.	Ongoing support of the Business Object environment as this transition into CAPS+ reporting.	With the implementation of FRET and the development of FRET II the County now has tools to monitor their funds.

C. The Outcome Indicator for this goal is have the Auditor-Controller represented on the following oversight committees: Treasurer Oversight Committee (TOC), Audit Oversight Committee (AOC), and Public Financing Advisory Committee (PFAC), CAPS Steering Committee Chairman, PTMS Steering Committee, and the Cal State Fullerton Accounting Advisory Board.

Performance Measure	FY 06-07 Results	FY 07-08 Plan	FY 07-08 Anticipated Results	FY 08-09 Plan	How are we doing?
<u>What:</u> Auditor-Controller staff will attend 100% of these committee meetings.	Nearly all meetings were attended by the Auditor Controller with the balance being attended by senior AC staff.	Staff will attend all meetings.	100% of all meetings will be attended by A-C staff.	Staff will attend all meetings	Continue to provide full support for these oversight committees.

Goal #2 is to promote accountability by developing and enforcing systems of accounting controls. Strategies to accomplish this goal include:

- ◆ Continuing to meet successfully the daily operations of the County's central accounting systems.
- ◆ Staying current with all critical recurring accounting operations.
- ◆ Assessing the risk and the adequacy of controls of the County's major transaction processing systems maintained by the Auditor-Controller Department.

A. The Outcome Indicator for this goal is to receive a certified opinion in a timely manner on compliance with laws, regulations, and provisions of contracts or grants that could have a material effect on each major Federal program administered by the County.

Performance Measure	FY 06-07 Results	FY 07-08 Plan	FY 07-08 Anticipated Results	FY 08-09 Plan	How are we doing?
What: Measures compliance with requirements in administering Federal and State programs. Why: Provides assurance to Federal and State agencies that there are no material weaknesses in controls affecting compliance.	The County received an unqualified opinion in all areas covered by the Single Audit Reports for FY 2005-06.	Continue to monitor and review accounting controls on Federal grant programs so that there are no material weaknesses in the accounting system for the Single Audit Reports for FY 2006-07 and FY 2007-08.	The department expects to obtain a certified opinion, in a timely manner in FY 2006-07 and FY 2007-08.	The department fully expects to receive certified opinions in a timely manner for all accounting related areas in FY 2008-09, and to continue to meet the requirements of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133.	The County has received unqualified opinions in all accounting related areas covered by the Single Audit Reports for the past several years, with no material weaknesses in accounting controls.

Goal #3 is to anticipate and satisfy our stakeholders' and clients' needs for financial services and reliable information. Strategies to meet this goal consist of:

- ◆ Providing ongoing accounting services to departments/agencies.
- ◆ Assessing customer satisfaction.
- ◆ Supporting special projects requested by clients.
- ◆ Preparing fiscal analyses of County ballot initiatives as requested by the Board of Supervisors.
- ◆ Increasing the use of web-based information.

A. The Outcome Indicator for this goal is to receive a rating of at least 95% in overall satisfaction in the department's biennial countywide client surveys of the department's central accounting sections (judgmental sample).

Performance Measure	FY 06-07 Results	FY 07-08 Plan	FY 07-08 Actual or Anticipated Results	FY 08-09 Plan	How are we doing?
What: Measures client satisfaction with services of the central A-C Department accounting sections. Why: To meet and exceed expectations of County clients.	The department exceeded its rating goal in the survey of its central accounting sections, sent to County departments and agencies in 2007. 91% of these clients were "Very Satisfied" to "Satisfied" with the department's services	We plan to continue conducting our biennial surveys, alternating between central and satellite accounting sections, and meet or exceed the rating goal.	We plan to meet or exceed the rating goal.	We plan to continue conducting our biennial surveys, alternating between central and out-stationed accounting sections, and meet or exceed the rating goal.	The department is working on rebuilding its satisfaction rating. The rating recently dropped due to significant key staff turnover.

B. The Outcome Indicator for this goal is to receive a rating of at least 90% in overall satisfaction in the department's annual survey of County vendors (judgmental sample).

Performance Measure	FY 06-07 Results	FY 07-08 Plan	FY 07-08 Actual or Anticipated Results	FY 08-09 Plan	How are we doing?
What: Measures vendors' satisfaction with services provided. Why: To meet and exceed the expectations of County vendors.	The department received a rating of 89% in overall satisfaction in its survey of vendors conducted in 2007. The Courtesy section rating of the survey was 96%.	The department expects difficulty in accomplishing this goal for FY 07-08. We expect high turnover rates to continue and there will be no major changes to business processes or systems until the new CAPS implementation	The department expects to achieve an "overall" rating of 85% in its vendor survey of 07-08.	The department will conduct this survey again in both 07-08 and 08-09.	Overall satisfaction increased 3% from the prior survey. This increase is significant considering the section has experienced continued turnover in staff. The survey showed that courtesy continued to be rated highly, however timeliness and responsiveness are still below our target goal of 90%. As job training continues, productivity will increase and we expect continued growth towards higher ratings in our next survey period.

		is complete in 2009.			
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C. The Outcome Indicator for this goal is to receive a rating of at least 90% in overall satisfaction in the annual client survey of the department's Information Technology unit (judgmental sample).

Performance Measure	FY 06-07 Results	FY 07-08 Plan	FY 07-08 Actual or Anticipated Results	FY 08-09 Plan	How are we doing?
<u>What:</u> Measures client satisfaction with the quality of information provided by the CAPS system and the level of service provided by staff. <u>Why:</u> To meet and exceed expectations of County clients.	93% of the CAPS system users in 2007 were "Very Satisfied" to "Satisfied" with the quality of information provided by the CAPS system and the level of service provided by staff.	We plan to continue conducting our surveys, and to meet or exceed the rating goal.	We plan to meet or exceed the rating goal.	We plan to continue conducting our surveys, and to meet or exceed the rating goal.	The department continues to receive high satisfaction ratings for the quality of information provided by the CAPS system and the level of services provided by staff.

D. The Outcome Indicator for this goal is to meet all biweekly payroll deadlines for all 26 pay periods.

Performance Measure	FY 06-07 Results	FY 07-08 Plan	FY 07-08 Actual or Anticipated Results	FY 08-09 Plan	How are we doing?
<u>What:</u> Measures ability to meet biweekly County payroll deadlines. <u>Why:</u> To ensure the delivery of County services by County employees, and to maintain the financial well being of the employees themselves.	The biweekly payroll deadline was met for all pay periods in FY 2006-07.	The department expects to successfully complete all payroll cycles and meet all payroll deadlines for the year.	The department fully expects to continue to meet all biweekly payroll deadlines in FY 2007-08	The department also expects to meet this goal through FY 2008-09	Despite the many complex terms and conditions required by various MOUs for 19,000 employees, the computation and issuance of the \$66 million biweekly payroll has been met for each pay period.

Goal #4 is to increase countywide organizational effectiveness by making the appropriate investments in our staff and technology. Strategies to meet this goal include:

- ◆ Continuing to stay current with American Management Systems (AMS) financial and human resources software product releases.
- ◆ Maximizing the usability of existing accounting systems by expanding the use of existing assets such as ERMI, the Data Warehouse, functional user groups, VTI, Business Objects and workflow.
- ◆ Implementing Online Training Management software to allow for easy enrollment in classes to County employees while allowing supervisors and managers to easily track progress of their staff.
- ◆ Encouraging decentralized, secure, web-based transaction processing as a means to increase productivity and reduce processing time.
- ◆ Enhancing work area efficiency and effectiveness.
- ◆ Improving staff well being through employee training, recognition and other programs.
- ◆ Continuing to fulfill the requirements of the County-wide performance management plans.
- ◆ Developing leadership skills of staff to meet future requirements for succession to leadership positions.

The Outcome Indicators for this goal are as follows:

A. To meet all department/agency requests to rollout VTI.

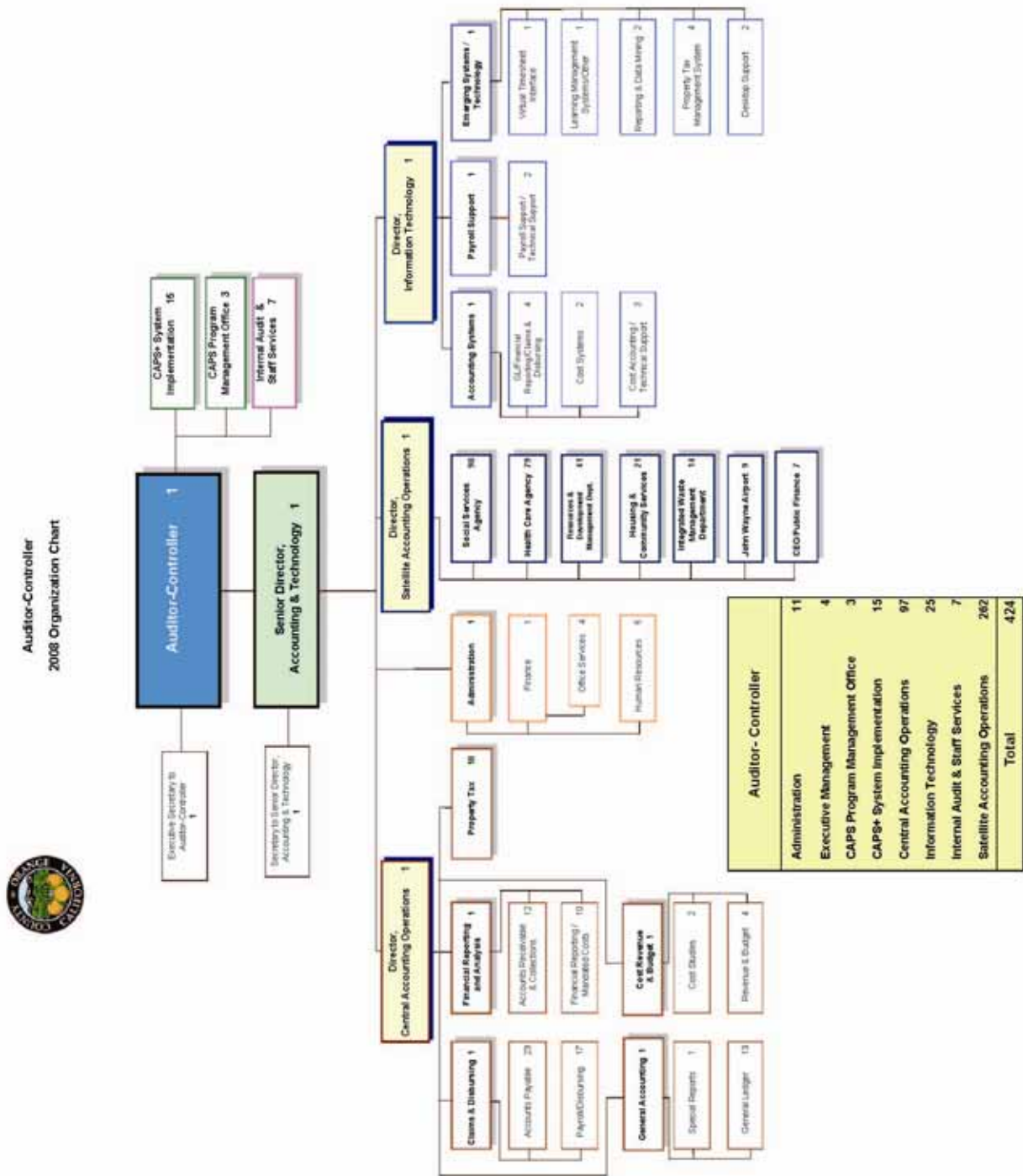
Performance Measure	FY 06-07 Results	FY 07-08 Plan	FY 07-08 Actual or Anticipated Results	FY 08-09 Plan	How are we doing?
What: Measures departments/agencies that have requested to use VTI and the ability to roll out VTI to those organizations. Why: Manual payroll processing is labor intensive, time consuming and prone to errors. Payroll adjustments resulting from errors are even more costly.	Completed rollout of VTI at agencies (Superior Courts, Registrar of Voters, and Public Defender). Implemented VTI 4.4. Worked with Probation on agency specific changes.	Complete rollout of VTI. Also, resurvey departments on outcome measures.	Completion of rollout. Assess additional functionality of system to improve business processes.	Assess potential replacement system in new HR solution.	VTI has been rolled out to all 25 agencies that have requested it.

Performance Measure	FY 06-07 Results	FY 07-08 Plan	FY 07-08 Actual or Anticipated Results	FY 08-09 Plan	How are we doing?
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B. Efficiency measures of transaction cost.

What: Measures transaction cost. Why: To determine what the transaction cost for processing A/P invoices are and impact resulting from increased workflow and decentralization.	Results for 06-07 are \$8.15 per invoice in total direct costs per invoice paid in central claims.	Compute the direct incremental costs associated with vendor invoice payment processing in central claims on a per invoice basis.	Results for 06-07 are \$8.15 per invoice in total direct costs per invoice paid in central claims. We anticipate that the 07-08 cost per invoice would be close to the 06-07 rate.	Compute 08-09 costs on the same basis as in 06-07.	Costs are in line with expectations and are actually lower when adjusted for inflation.
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ORGANIZATION CHART



ACCOMPLISHMENTS

- **CAPS+ (contract, training, facilities, focus groups, governance plans)**

The CAPS+ upgrade implementation has been launched and has completed the first phase, the envision phase. Focus groups have been established and meetings conducted. The function of the 15 Focus Groups is to serve as “advice and consent” forums to help ensure that the CAPS+ Project Teams are configuring the new system to best meet the County’s needs. The software modification design has also been worked on which will improve efficiency, controls, tracking and reporting of financial and procurement information. A communication outreach strategy has been implemented which provides all departments with project updates on regular intervals. The CAPS+ website was launched and provides detailed information on the project including Focus Group minutes and handouts, the Status at a Glance project report, and links to the project’s quarterly newsletter.

- **PTMS**

The Needs Assessment was completed and an RFP was initiated to select a vendor for the development phase. The Needs Assessment was the completion of an 18 month project that involved critical staff. This project identified and documented the existing processes associated with the Auditor-Controller Department (AC), Clerk of the Board (COB), and the Treasurer-Tax Collector (TTC) Property Tax System and the interfaces with the Assessor. The results of this assessment was a document of approximately 8,000 pages detailing how tax bills are presented, collected, processed and funds distributed to over 250 tax-receiving entities. The project was delivered on budget.

- **Securing Treasury with Establishment of the Internal Audit Unit.**

The Auditor-Controller is legally mandated to perform quarterly reviews and an annual audit of the County’s Treasury’s Statement of Assets. Effective February 2007, the Auditor-Controller established an Internal Audit Unit to perform these legally mandated audits previously contracted to the County’s Internal Audit Department.

Effective October 2007, the Auditor-Controller’s Internal Audit Unit expanded treasury audit procedures and implemented daily monitoring of the investment portfolio for compliance with the Investment Policy Statement (IPS) approved by the Board of Supervisors. Daily monitoring procedures include obtaining a daily electronic download of the investment portfolio from the Treasurer’s Quantum system and importing the download into audit software for purposes of performing calculations and validating that investments are in compliance with the IPS. Issues of non-compliance are immediately reported to the Auditor-Controller.

The daily monitoring procedures, quarterly reviews, and the annual audit of the Treasury’s Statement of Assets provide assurance that the investment portfolio is secure and all County assets are properly presented in quarterly financial statements to County stakeholders.

- **FRET**

In 2007, we upgraded FRET to FRET II with the implementation of Dashboard Technology. In 2008 all Financial Managers will have access to FRET II and be able to provide management with critical financial information that is easy to interpret through visual depiction of the trend/pattern of key financial health indicators. This mechanism will be the way which financial managers can detect early-on trends towards potentially unhealthy financial conditions in the funds/agencies that they manage.

- **Workflow**

The Payroll Adjustments Workflow was fully implemented in all agencies on time and approximately \$160,000 under budget. The project was to streamline and automate the entry and approval of over 16,000

payroll adjustments entered for County Employees annually. This objective was achieved through the utilization of baseline workflow functionality in CAPS. Additionally, this project integrates the HR CAPS system (used for information entry and storage) and the electronic reports and images repository (ERMI) used for source documentation storage and retrieval. The benefits to the end-user will be an interface that appears to be a single system solution, as opposed to two disparate systems.

- **CAFR/PAFR Certificates**

The Government Finance Officers Association of the United States and Canada (GFOA) instituted awards programs for state and local government financial reporting. A Certificate of Achievement for Excellence in Financial Reporting is awarded to a government that publishes an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting and its attainment represents a significant accomplishment by a government and its management. In 2007, the GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Orange, which represented the County's twelfth consecutive award. An Award for Outstanding Achievement in Popular Annual Financial Reporting is designed to recognize a government who publishes a report containing information more readily accessible to a broader audience than that served by traditional financial reporting, such as CAFRs. The award is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to be awarded, a government must publish a Popular Annual Financial Report (PAFR) that reflects the program standards of creativity, presentation, understandability and reader appeal. In 2007, the County of Orange PAFR titled the "OC Citizens' Report" received its fourth consecutive Award for Outstanding Achievement in Popular Annual Financial Reporting from GFOA and was held out as an example at the annual GFOA conference.

- **Training Partners**

An Auditor-Controller supported application which provides the ability to manage training schedules, online enrollment and track employee training was adopted to be the Counties primary training system. Currently, major agencies (HCA, SSA, RDMD and IWMD) now utilize this application. Training Partner will be the method for training and tracking user accomplishments for CAPS+ and HR programs in 2008 and 2009.

- **Retroactive Pay Adjustments**

During the 2007 calendar year, we processed approximately 31,000 retro pay adjustments totaling approximately \$21,000,000. These adjustments included a carryover from the 2006 union negotiations plus the 2007 union negotiations including the peace officers. The Auditor Controller Department's dedicated over 3,000 labor hours to the success in automating retro pay adjustments. This saved countless hours of manual computations for departmental payroll units in addition to the time required for review and corrections by Central Payroll.

THREE-YEAR WORKLOAD MEASURES

As discussed in the Operational Plan, the Auditor-Controller provides a wide variety of services to its many clients. Selected samples of the department's workload over the past three fiscal years are presented below.

	2004-05	2005-06	2006-07
Mandated Cost Claims Filed	46	41	43
Journal Vouchers Processed	18,668	17,886	18,340
Deposit Orders Processed	24,032	24,345	24,451
Countywide Employee Payroll Count (includes Superior Court and independent Special Districts using County Payroll System)	19,269	19,015	19,789
Employees in Host Dept/Agencies for which Payroll is processed by Auditor-Controller Staff (HCA, HCS, IWMD, JWA, SSA)	7,213	7,175	7,351
Mileage Claims Processed by Auditor-Controller Staff for Host Dept/Agency Employees (HCA, HCS, IWMD, JWA, SSA)	21,462	21,145	22,306
Statements of Aid Processed (SSA)	1,516	900	745
Reconciliations Performed	16,170	16,531	15,840
Scanned Document Pages	695,754	691,830	816,089
Accounts Payable Vendor Invoices Paid:			
<u>Central Claims and Accounts Payable</u>	172,425	173,808	176,292
<u>Units</u>			
<u>Decentralized Contract Payments</u>	<u>12,685</u>	<u>12,095</u>	<u>12,206</u>
Total Vendor/Contract Payments	185,110	185,903	188,498
Accounts Receivable Invoices and Billings	687,702	677,716	684,156
Property Tax Bills Prepared	1,136,302	1,155,562	1,164,584
Property Tax Refunds and Corrections	62,005	58,648	66,438
<u>Voter Approved Indebtedness Property Tax</u>			
<u>Rates Calculated</u>	N/A	49	55
<u>Internal and External Reports Issued and</u>			
<u>Consolidated Claims Processed</u>	4,023	3,816	3,689
Number of Checks Issued (Claims, Child Support, Welfare, HCS)	1,793,987	1,404,894	1,190,425
Open Collection Accounts (Collections, SSA)	63,477	60,262	59,491

Executive Team



Social Services Agency Accounting









RDMD Accounting



Property Tax



JWA Accounting



IWMD Accounting



HCS Accounting - Grand



HCS Accounting - Broadway



Health Care Agency Accounting





General Ledger



Financial Reporting and Mandated Costs



Cost, Revenue & Budget



Claims



CEO Public Finance Accounting



CAPS+ Team



Accounts Receivable & Collections



Administration



Information Technology

