

David E. Sundstrom, CPA

Auditor-Controller

# Business Plan 2010

County of Orange • Auditor-Controller

CHANGE EMBRACED



12 Civic Center Plaza, Room 200  
Santa Ana, CA 92701  
714-834-2450 [www.ac.ocgov.com](http://www.ac.ocgov.com)

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## Executive Summary

The Auditor-Controller's Office is responsible for providing a wide range of accounting, auditing and property tax services on behalf of the County of Orange. Most of these services are mandated by law and carry a high degree of fiduciary responsibility. Our customers include the public, County departments/agencies and employees, bondholders, vendors, schools, special districts, and other governmental agencies. Meeting our responsibilities requires major investments in personnel and financial/accounting systems, and a significant effort to stay current with technology, legislation, and governmental accounting pronouncements.



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We continue to face a significant challenge to provide effective services in light of growing budget constraints. Due to the general economic slump, and diminishing tax revenues, our budget has been reduced by 10% (Net County Cost reduction = \$950,000). Furthermore, we are planning for an additional reduction of 5% (Net County Cost reduction = \$447,002) in fiscal year 2010-11. Although our operations are strained, we are effectively managing the Office and pursuing innovation through the dedicated efforts of our staff. Significant cost savings are being realized by maintaining vacancies as employees retire, reducing vendor costs, reorganizing operations, utilizing technology, and implementing a host of other measures.

We continue to place a major emphasis on innovation and leveraging technology to increase efficiencies, improve controls and reduce costs. Of strategic significance, we successfully implemented the County's new financial/purchasing system. This was a major accomplishment and was completed on time, on scope and on budget. In addition to providing a modern and sustainable system, it introduces many significant improvements such as automated workflows, integrated capital assets accounting, enhanced job cost accounting, improved budgetary controls, and expanded contract monitoring. It also provides a robust base for future enhancements.

Partnering with the Human Resources Department, we also made significant progress in the development of an upgraded human resources/payroll system. This project is essential because the current system is reaching the end of its lifecycle. Also, the County is moving away from the mainframe as its platform of choice. This new system utilizes the technology that is necessary to help the County achieve this goal. We are taking this opportunity to develop improved efficiencies through automated workflows, expanded reporting, improved security, and added functionality.

When operational, it will be fully integrated with the financial/purchasing system. The project is on time, on budget, and scheduled for implementation in January 2011.

Working closely with the Treasurer-Tax Collector and the Clerk of the Board, we are developing a new Property Tax Management System (PTMS). The current system is over 20 years old and must be replaced to ensure we properly manage over \$5 billion of property tax calculations, collections, and apportionments. The system is being developed in a tiered approach, with the first tier scheduled for implementation in May 2010. Overall project completion is scheduled for June 2011.

Even with our emphasis on technological developments, we understand that our most important resource is our staff. Through their committed efforts, despite reduced budgets, we were very successful in running our day-to-day operations. This included participation in the Orange County Community Resources reorganization, processing payroll for over 19,000 people, calculating and apportioning property taxes, obtaining a clean opinion on our Comprehensive Annual Financial Report (CAFR), issuing over 1,000,000 checks, making over 175,000 vendor/contract payments, issuing the annual cost plan, managing claims for five host agencies, performing over 15,000 reconciliations, and processing over 16,000 journal vouchers.

With growing budget constraints, we will have to make increasingly difficult decisions on how to apply resources in the coming year. Inevitably, we will have to assume additional risk but every effort will be made to manage this and keep it within an acceptable range. Our business plan continues to focus on technological development which includes the PTMS and human resources/payroll systems, discussed above. We also plan to expand the usage of purchasing cards to more efficiently process large-volume/low-dollar transactions, automate mileage claims processing, enhance financial reporting capabilities, and complete development of new year-end close processes.

It is a very challenging time but we have seasoned staff, innovative technology, strong leadership, and a successful track record. With all of this, we have embraced change and fulfilled our mission. I am confident we will continue this success into the new year.

## **Section I – Agency Overview**

The Auditor-Controller Office’s vision, mission statement, and goals for 2010 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 office’s many clients and stakeholders

### **A. Vision Statement**

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

As the Auditor-Controller’s Office 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 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 interests
- 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’s Office 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’s Office 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. 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 office provides specialized accounting services to seven departments/agencies hosting out-stationed Auditor-Controller's Office 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), OC Community Resources (OCCR), OC Waste & Recycling, John Wayne Airport (JWA), OC Public Works (OCPW), the Social Services Agency (SSA), and the County Executive Office/Public Finance Section.

Another provider of core services is the office's Information Technology Division, which keeps Auditor-Controller and Countywide financial systems running accurately and timely. Their support enables Auditor-Controller's Office 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+ for Financial, CAPS for Payroll, ERMI, the Data Warehouse, and property taxes. The division takes the lead in system developments to increase County efficiency such as VTI (payroll timesheets), mileage claims, or e-procurement (Office Depot). The division provides considerable support to the County's upgrade efforts related to projects like its financial systems (CAPS+), Payroll/Personnel (CAPS+ 2011), and the rewrite of the Property Tax Management System (2011).

The CAPS Program Management Office (PMO) plays an essential role in the on-going management of the County's County-Wide Accounting and Personnel System (CAPS) and keeps it running smoothly. CAPS is comprised of multiple Enterprise Resource Planning (ERP) Advantage software products licensed to the County by CGI Technologies and Solutions, Inc. (CGI) and ancillary software packages. Advantage is complemented by custom built software packages such as 1099/EDD Reporting and Data Warehouse. CAPS also consists of ancillary software products such as Hyland, Inc's "OnBase" document imaging and management system, Intellitime's "VTI" time-entry system, the "BidSync" online bidding system, and Geometrix Data System's "Training Partner" learning management system. They are a vital component of the County's infrastructure. These systems are required for County Operations, such as financial planning, budget development, maintaining financial records, generating financial statements, collecting costs for federal and state program billings, procuring goods, and services, making vendor and trust disbursements, processing the County's payroll, and administering personnel records.

In addition to managing these systems, the PMO also plays essential budgetary and oversight roles in all CAPS system upgrades or replacements. Such was the case with the upgrade of the CAPS Finance and Purchasing systems in 2009 from its existing character based and windows-based formats to a web based format. The upgraded Finance and Purchasing systems were renamed as CAPS+. The CAPS+ system went live on July 1, 2009. Implementation of CAPS+ has resulted in significant business process improvements with the introduction of new system functionalities such as the ability to correlate the funding structure to the organizational structure for more efficient reporting, the introduction of an enhanced toolset for

monitoring and enforcing detailed budgets, the implementation of a new chart of accounts to provide more flexibility to all departments, and the use of automated workflows to reduce paperwork and overall processing time. In July 2009, the PMO oversight over the CAPS<sup>+</sup> Finance and Purchasing systems upgrade was extended to the next phase of the project which covers year-end closes. This phase is scheduled to be completed by July 2010. Similarly the PMO plays key budgetary and oversight roles in the upgrade of the CAPS Human Resources and Payroll systems. The project was launched in January 2009 and is scheduled to go live in January 2011. The primary objective of the Human Resources and Payroll systems upgrade is to upgrade CAPS from the CGI Advantage 2.X ERP product to the 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.

In addition to providing on-going management and oversight over all these systems and upgrade/replacement projects, the PMO is also responsible for supporting system users via the PMO's training, documentation, help desk, communication and outreach programs.

Another core element of the office 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 monthly 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 vital auditing and internal control services to Auditor-Controller management, which assist the Auditor-Controller in meeting its departmental objectives.

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

## 1. Workforce

Staff is the office's most important resource. This belief is embodied in the Auditor-Controller Office's "Statement of Values," and is closely linked to both our Mission and Vision Statements. Staff is the common element in everything this office 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.

**OCWR Accounting billed and collected \$82 million from landfill deferred charge customers in FY 08-09.**

The Auditor-Controller Office'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. We participate in a variety of on-campus events. At California State University, Fullerton, we are invited to guest lecture to governmental accounting classes and once again, the Auditor-Controller will be serving on the accounting program's advisory committee.

Because of the continual inflow of new accountants, the office established programs to help ensure that staff has the necessary skills and motivation to carry out their responsibilities. An important part of the office'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 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 office'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. Key concepts that the County must embrace to meet its challenges are training, recognition, communication, and empowerment of staff.

## **2. Innovation**

The office places a major emphasis on innovation and is working on several major system upgrades or replacements. The office took a leadership role in replacing the County's Accounting and Personnel System (CAPS). The replacement system is called CAPS+ and the financial and purchasing portion of the system went live in July 2009. The replacement of CAPS was in the County Strategic Financial Plan and we led that effort. There were dozens of staff from Auditor-Controller, CEO/Purchasing, vendors and consultants working full time on the implementation effort. Additionally, over 100 County managers were involved in CAPS+ Focus Groups and approximately 4,800 county employees were trained before implementation. This was truly a County-wide effort. CAPS+ users throughout every County department/agency are using the system to deliver services to their internal and external customers. The County is also taking 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 commitment to innovation is our key role in the replacement of the human resources management and payroll portions of CAPS. The office 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 Office 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.

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 developed automated workflow processes for mileage claims, which should be rolled out to departments/agencies during FY 2009-2010.

While providing on-going management of all current systems and oversight of upgrade/ replacement projects, the Auditor-Controller places a major emphasis on innovation and leveraging technology to increase efficiency and save cost for all departments and for the County as a whole. A key strategic initiative is to streamline and standardize transaction processing in CAPS+ via the deployment of system automated workflows. To date, all system workflow implementations have yielded noted improvements in the process. Processing time and overhead/administrative efforts have been significantly reduced for those processes that utilize automated workflows. Examples of processes that utilize automated workflows are the Purchase Requisition, Cash Receipt, Budget, Journal Voucher, Capital Assets, Procurement and Encumbrances, Mileage Claims and Time Entry workflows. As CAPS+ matures more processes will be considered for automation with cost savings as the key objective.

A workflow project under consideration is the centralization of the receipt all vendor invoices for payment processing with automated workflows to responsible departments for approval. This will provide the County with the ability to track the status of all vendor invoices, reduce administrative overhead, improve processing time, and ultimately give the County the ability to negotiate better terms and take advantage of vendor discounts.

The deployment of E-Procurement technology will enable the County to automate the procurement of low dollars and high volume items such as office supplies, maintenance and janitorial supplies, hardware, software, uniform, food items, medical and pharmaceutical supplies, etc. to reduce paperwork and processing time. E-Procurement options include utilizing an application to host participating vendor catalogs and allow County users to shop for competitive prices, place orders, record receipt of deliveries and process the invoices all in one place. Other options are similar to an online shopping experience where users interact directly with the vendor website. Pilot programs at the Health Care Agency, Social Services Agency, County Executive Office and Auditor-Controller have yielded significant cost savings internally and the County has benefited from significant vendor discounts and rebates as a result of faster payment of invoices. Efforts are under way to look for a no-cost solution to allow the deployment of this technology to all County Departments.

### **3. Reporting Accuracy**

There are many examples of the importance the office 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 office 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 office 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 office 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 office 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 office'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 office 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 cannot rest on our laurels, but must continue to emphasize and expect integrity at all levels of the office to ensure the Auditor-Controller's Office always remains "the County's trusted source of financial information..."

## Section II – Operational Plan

The Auditor-Controller’s Office updated its Operational Plan for 2010 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 office 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 office, and cannot be separated into distinct programs that can be independently measured.

### **A. Environment**

#### **1. Clients**

The Auditor-Controller Office’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 Office 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’s Office to provide accurate revenue projections and budgetary control over Board-approved appropriations. Other departments and agencies also depend upon the Auditor-Controller’s Office to provide timely basic services such as payroll, vendor payments, cost accounting, and general accounting without interruption. This allows the other departments and agencies to focus on their core businesses, thereby ensuring that their clients receive service they require and deserve.

**OCPW Accounting prepared over \$10.2 million dollars in Santa Ana River subvention claims for submission to the State in FY 2008/09.**

In addition to these basic accounting services, the office provides specialized accounting services for departments/agencies hosting an out-stationed Auditor-Controller’s Office accounting team. Examples of these specialized services are the performance of accounting functions 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’s Office for critical services such as payroll and reimbursement programs. The most important product of the office 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’s Office Employees:** Although services such as payroll are just as important to the Auditor-Controller’s own staff, the office also must ensure that its most important resource, its people, are motivated and equipped with necessary tools to accomplish the mission of the office and work diligently towards attaining its vision. Staff development, through improved training opportunities and a performance recognition program, allows the office to make progress towards these objectives.

## 1.2 External Clients - Non-County Clients who receive Auditor-Controller Office 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's Office 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.

**HCA Accounting prepared over 220 claims and reports for HCA programs, totaling over \$428 million in revenue in FY 2008/09.**

- **Individuals, Vendors, Private Sector Entities, Clients of County Departments/Agencies:** The Auditor-Controller's Office 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.

## 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 office 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 Office is constantly challenged by the growing needs of County departments, agencies and their programs, which require greater accounting support from this office. 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; fiscal constraints 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 office in 2010 are detailed below.

### 2.1 Legislative Mandates/Litigation/Other Mandates

The Auditor-Controller's Office continues to meet the challenges resulting from new legislative and other mandates. The office 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 office. The Auditor-Controller is an active member of the California State Association of County Auditors Legislative Committee. This ensures that the office is kept aware of any

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

legislation that ensures or enhances the operability of our mission. Mandates impacting our workload include:

- Starting with the 2007-08 budget year, the office 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). The unit is set apart from the accounting operations of the office and as such, this internal audit function reports directly to the Auditor-Controller. The unit has been called upon by the Board to perform daily compliance monitoring of the \$7 billion investment portfolio.
- Compliance with Health Insurance Portability and Accountability Act (HIPAA) regulations.
- Implementation of new Governmental Accounting Standards Board (GASB) Statements:
  - a. GASB Statement No. 45, *Accounting for Other Post Employment Benefits*. The office 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.
  - b. GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intro-Entity Transfers of Assets and Future Revenues*.
  - c. 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.
  - d. 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
  - e. 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.
  - f. Plan for GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*.

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

- g. In June 2008, GASB issued Statement No. 53, “*Accounting and Financial Reporting for Derivative Instruments*.” This statement addresses how state and local governments should recognize, measure, and disclose information regarding derivative instruments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. Examples of derivative instruments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009, which requires the County to implement this statement in FY 2009-10. Currently, the County Treasurer’s Investment Policy Standards prohibits the purchase of derivative instruments as investments in the County’s investment pools and the Public Financing Advisory Committee policy prohibits derivative debt instruments.
- h. In March 2009, GASB issued Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*.” This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The requirements of this statement are effective for the financial statements for periods beginning after June 15, 2010, which requires the County to implement this statement in FY 2010-11.
- 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.
  - Statement on Auditing Standards (SAS) No. 115, “*Communicating Internal Control Related Matters Identified in an Audit*” – SAS No. 115 amends SAS No. 112, and further clarifies standards and provides auditors guidance on communicating matters related to an entity’s internal control over financial reporting identified in an audit of financial statements. This new standard is effective for audits of financial statements for periods ending on or after December 15, 2009.
  - American Recovery and Reinvestment Act (ARRA) Compliance Requirements – There are many new compliance requirements attach to the receipt and use of ARRA funds. As required by Section 1512 of the ARRA, each recipient of federal funds must report the following information 10 days after each calendar quarter, beginning on July 10, 2009: (1) the total amount of recovery funds received from each federal agency; (2) the amount of recovery funds received that were obligated (encumbered) and expended to projects or activities; (3) a detailed list of all projects or activities for which recovery funds were obligated and expended, including the name of the project/activity, a description of the project/activity, an evaluation of the project status of the project/activity, and an estimated number of jobs created and number of jobs created and retained by the project/activity; (4) for infrastructure investments made by state and local governments, the purpose, total cost, justification for use of ARRA funds, and the name of the contact person; and (5) detailed information on any subcontracts or subgrants awarded by the recipient.
  - New IRS Regulation on Required Withholding --- IRS Proposed Regulation REG-158747-06 originally required that payments by governmental entities for goods and services after December 31, 2010, be subject to 3 percent personal income tax withholding, with some exceptions. Generally withholding would be required on all payments to all persons providing property or services to the government, including individuals, trusts, estates, partnerships, associations, and corporations. Withholding would occur at the time of payment. If the government entity fails to withhold the tax, it becomes liable for the tax payment. The implementation date has now been changed by the ARRA and applied to payments after December 31, 2011.

- Electronic Commerce and Privacy of Data Concerns --- In September 2006, American Express, Discover Financial Services, JCB, MasterCard Worldwide, and Visa International jointly announced the formation of the PCI Security Standards Council, which is designed to manage the ongoing evolution of the Payment Card Industry (PCI) Data Security Standard (DSS). PCI DSS focuses on improving payment account security throughout the transaction process with the goal of enhancing protection against data theft and fraud. When PCI DSS is fully implemented by the credit card companies, lack of a PCI certification would prevent the government from collecting revenues electronically. At this point, there is no fixed timetable for governments to initially comply with PCI DSS, but each credit card company has a different deadline.
- New Guidance Issued on Public Housing Agencies Completion of the Financial Data Schedule and Related Auditor Reporting. In December 2008, the U.S. Department of Housing and Urban Development (HUD) issued guidance titled, [\*Revised SAS 29 Audited Submission Procedure for Public Housing Agencies \(PHAs\) With Fiscal Year End of June 30, 2008\*](#). That guidance explained how Public Housing Agencies (PHAs) could meet the requirements for preparing the required financial data schedule (FDS), as well as the related auditor reporting, in light of delays in the availability of a revised FDS format.

Since then, HUD has issued another notice to PHA's. The [new HUD Notice](#) instructs PHAs on how to complete and submit electronically the new FDS tool. In summary, the PHA submission process of the FDS tool will work as follows: (1) The PHA will complete the appropriate FDS tool (that is, either accrual or modified accrual); and (2) The PHA will make the "unaudited" submission of the FDS tool to HUD using the Comments Link contained in the Financial Assessment Subsystem (FASS) on-line system. PHAs with fiscal years ending 6/30/08, 9/30/08, and 12/31/08, have until April 13, 2009, to complete this submission. PHAs with fiscal year ending 3/31/09 will have until June 30, 2009, to complete their submissions.

HUD considers this submission "unaudited" in that it does not include the upload of the audited financial statements and other required materials or the required agreed-upon procedures engagement comparing the hard copy FDS to the electronic FASS submission. Currently, HUD is continuing to update the FASS to, among other things, add audit system functionality. Once the system update is completed, which HUD expects to occur sometime in April, HUD will communicate how PHAs can make their "audited" submission. At that time, the system will allow for the required agreed-upon procedures engagement and will include the six tabs for uploading the management's discussion and analysis, the financial statements, notes to the financial statements, audit reports, audit findings, and the corrective action plan.

## **2.2 Technology**

The Auditor-Controller's Divisions are responsible for meeting the challenges of supporting the County's infrastructure that is needed for business processes. This infrastructure which maintains the County's budget of approximately \$5.5 billion along with the ongoing maintenance of the human resource and payroll records for a work force of over 18,000 employees.

### **2.2.1 County Accounting and Personnel System (CAPS)**

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 software products.

CAPS is in various phases of upgrade from the existing 2.X software which utilizes mainframe technology to 3.X which will move to open systems.

- The County's finance and purchasing system was upgraded in July 2009, with a Phase II (Annual Close) scheduled for June 2010.
- The County's current Human Resources and Payroll system is in the process of being upgraded with a planned implementation of January 2011.

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.

### **Finance System Upgrade**

In July 2009, the Auditor-Controller, contracting with CGI, completed the implementation of the Advantage 3.X Finance System. This project was completed on time and on schedule.

The primary objective of the project was to upgrade CAPS from the CGI Advantage 2.X ERP product to the 3.X release. In addition to the primary objective, there were secondary objectives to take advantage of new capabilities within the Advantage 3.X release that improved the County's administrative processes and re-engineered existing business processes, streamlined workflow, reduced paperwork, improved controls, improved management reporting and reduced administrative cost. A tertiary objective is lowering on-going operating and maintenance costs by moving from a mainframe platform to a server based platform (open systems) and to reduce software maintenance costs by making only necessary modifications to the base software.

With the core project implemented, the project team will focus on Phase II of the process. Phase II will consist of developing the processes for Annual Close, CWCAP and CAFR reporting. The project team for this will be comprised of between five and ten County staff (subject matter experts, business analysts and technicians), who is dedicated to the success of this project.

### **Human Resource / Payroll System**

In June 2009, a contract was established with CGI for the upgrade of the current Advantage 2.X Human Resource and Payroll application to 3.X. The project objectives include:

- Retain the workflow process implemented in 2.X:
  - Personnel Actions
  - Payroll Adjustments
- Improve System Controls
- Improve Management Reporting
- Implement technical capabilities and cost effective platform
- Integrate with the CGI Advantage 3.X Financial System.

The project team is comprised of between 25 and 30 members from CGI consultants, County subject matter experts, County business analysis and County Technicians who will be primarily dedicated to this project. The Auditor-Controller will utilize the facilities which were previously used by the CAPS+ Financial Team during their implementation. This project team will also leverage lessons learned from the CAPS+ Financial project to ensure success and mitigate issues.

### **2.2.2 Property Tax Management System (PTMS)**

The project to replace the legacy Property Tax System on the mainframe is under way. The PTMS team, upon completion of a needs assessment, created the scope for this project which includes:

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

The primary objective of the project is to develop a system which will leverage new technology and eliminate the need for the mainframe. With enhanced automation we should be able to streamline process flows and improve mandated updates. The ongoing objective is to lower on-going operating and maintenance cost by moving to a server based platform.

This project team is comprised of consultants from TCS (TaTa Consultant Services), in addition to county staffing from Treasurer-Tax Collector, Auditor-Controller and Clerk of the Board. The County staff consists of subject matter experts, business analysts and technical staff. Utilizing available space on the ground floor in Building 12, facilities were established to accommodate the project. This was accomplished with existing and surplus furniture and equipment.

Upon implementation the County technical staff will take ownership and maintain the application. This will eliminate two existing vendors (ACS & ARK Technology) who currently provide the application support for the legacy system. The project is currently scheduled for completion in June 2011.

### **2.2.3 Meeting Continued Service Demands of CAPS Users**

Given that the PTMS and Human Resource and Payroll application upgrades are not expected to be in place until 2011, there are a number of challenges as well as opportunities for the Information Technology (IT) Division:

#### **a. Ongoing Support**

The Auditor-Controller not only continues to provide ongoing support of the core financial and payroll accounting systems, via training, documentation, help desk support, communication and outreach programs, but also seeks to find ways to improve processes through automation.

- **Training** - In conjunction with the implementation of CAPS<sup>+</sup>, more than 4,800 users were trained to be efficient and proficient in the new system. The training program included a combination of computer based training and instructor led training. More computer based training modules are being added to the portfolio of training materials as the CAPS<sup>+</sup> system matures. Instructor led training classes are scheduled on an on-going basis and more specialized topics are being added.
- **Documentation** - Close to a 100 job aids with detailed step-by-step instructions were developed to guide users through the process of creating and approving transactions in CAPS<sup>+</sup>. The demand

for these job aids continues to grow and more are being added to the current library. Additionally over 50 CAPS<sup>+</sup> departmental procedures were developed to provide operating guidelines to department users while processing transactions in the new system. These procedures cover the five main business areas established in CAPS<sup>+</sup> which cover General Accounting, Cost Accounting, Procurement, Accounts Payable and Capital Assets.

- **User Support** - Since July 1, 2009 over 3,200 help desk tickets with an overall 98% successful resolution have been logged by the support staff assigned to perform this function. As users become more familiar with the system, the number of help desk tickets is expected to decrease. However this function will continue to be an integral part of the user assistance program to ensure successful use of the system.
- **Communication** - The Communication and Outreach programs included timely e-blasts to update all system users of significant developments or events in CAPS<sup>+</sup>. The CAPS<sup>+</sup> project management teams conducted regular site visits to update department management of the status of significant strategic initiatives and to gather constructive feedback.

b. Leveraging Existing Technology

Realizing that implementation of the replacement system will take a number of years; the Auditor-Controller's Office 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:

- Elimination of data entry services. The Auditor-Controller's Office developed a workflow process to eliminate paper-based processing of 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 reimbursed expenses.
- Ongoing support of Virtual Timesheet Interface (VTI). Currently the number of employees utilizing VTI is approximately 17,800. In 2009, we implemented this system at the Probation Department and will be working with the Sheriff for possible implementation in FY 2010-11.
- 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 became the primary method for all employees to sign up or document their training. In June 2009, Training Partner was utilized for training the County CAPS+ Financial users on the new application.
- Continued Partnering with the Treasurer-Tax Collector and the County's banking services providing "Desktop Deposit" process. This enables 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."
- Ongoing enhancements to applications (Paystub Portal, EGOV, ERMI Upgrades, Auditor-Controller Intranet Site, FAS – Fund Accounting System) require resources from the Auditor-Controller IT Support staff resulting in fewer resources available for other enhancement requests. Prioritizing requests is always 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.

### 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's Office 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's Office 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 office.

The Auditor-Controller's office 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's Office 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 Office'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.
- **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 office. It also provides a good training tool for our new accountants.
- **Risk Assessment Survey.** A formalized risk assessment project was completed for the office. 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 office's strategic financial plan.

## 2.5 Succession Planning

Auditor-Controller's Office employees are a key resource for the successful operation of our office 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 office continually has key professional accountants and managers recruited away to other departments. The skills, knowledge and experience gained through service in this office provide a benefit to the other County departments/agencies to which its employees transfer. However, it also creates a vacuum in the Auditor-Controller's Office, and the continual need to recruit, select and develop staff to replace those who have transferred. Adding to this, approximately 19% of the office's employees will reach age 55 during the next five years and have 20+ years of County service.

## 2.6 Resources

The Auditor-Controller's Office 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+, 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. With a net County cost of \$9 million and \$29.7 million of cost apply and revenue from services provided mostly to other departments/agencies, the Auditor-Controller's Office 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.

### 2.6.1 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, OCCR, OCWR, JWA, OCPW, 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.

### 2.6.2 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 office 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 have been 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 office's goals were established for 2008. Although there are numerous strategic priorities, it is important to note that most of the office'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 #3.

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 08-09 Results	FY 09-10 Plan	FY 09-10 Anticipated Results	FY 10-11 Plan	How are we doing?
<p><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.</p>	<p>Quarterly Reviews and the annual audit were submitted timely.</p> <p>Compliance monitoring was changed from daily to monthly monitoring on a sample basis.</p> <p>A few compliance reports were slightly delayed due to a legal issue that needed to be resolved before the reports could be issued.</p>	<p>Perform audits of the Treasury for the quarters ending 6/30/09, 9/30/09 and 3/31/10 and perform the annual audit for the year ended 12/31/09 and submit the required reports timely.</p>	<p>The 6/30/09 Treasury review for FY 2009-10 was submitted timely. We anticipate the upcoming Treasury reviews for the quarters ending 9/30/09, 3/31/09 and the audit report for the year ended 12/31/09 will be submitted timely. Reports summarizing the results of monthly compliance monitoring have been prepared for each month.</p>	<p>Perform audits of the Treasury for the quarters ending 6/30/10, 9/30/10, and 3/31/11 and perform the annual audit for the year ended 12/31/10 and submit the required reports timely.</p>	<p>The 6/30/09 review for FY 2009-10 was submitted timely. The 9/30/09 Treasury review is in process and on schedule.</p> <p>Reviews have been submitted timely for 2008-09. Reports summarizing the results of daily compliance monitoring of the Investment Pool have been prepared for each month.</p>

**B. The Outcome Indicator for this goal is to meet end user expectations of performance related to the CAPS application (FS & HR).**

Performance Measure	FY 08-09 Results	FY 09-10 Plan	FY 09-10 Anticipated Results	FY 10-11 Plan	How are we doing?
<p><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.</p>	<p>With the pending implementation of CAPS+ Finance, surveys were conducted to determine if the needs of users were utilized during the initial development of the new system.</p>	<p>We plan to meet or exceed the expectation that users have to bring up a new ERP application.</p>	<p>With the implementation of CAPS+ FS we continued to meet with the agencies. From these meetings we are falling short of agency needs especially as it relates to reports. There is an action plan to correct this.</p>	<p>All CAPS+ Financial reports will be restored into ERMI along with the implementation of the CAPS+ Data Warehouse. The lessons learned from this will be applied to the HR upgrade for implementation in January 2011.</p>	<p>With the announcement of reporting being restored back to ERMI, we expect that this will resolve the user problems and improve the acceptance of the new financial application.</p>

**C. The Outcome Indicator for this goal is to have the Auditor-Controller represented on the following oversight committees: Treasury Oversight Committee (TOC), Audit Oversight Committee (AOC), Public Financing Advisory Committee (PFAC), CAPS Steering Committee Chairman, Property Tax Management System (PTMS) Steering Committee, Measure M Taxpayers Oversight Committee Chairman, Governmental Accounting Standards Board (GASB) Board Member, and Cal State Fullerton Accounting Advisory Board.**

Performance Measure	FY 08-09 Results	FY 09-10 Plan	FY 09-10 Anticipated Results	FY 10-11 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’s office.

*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.*

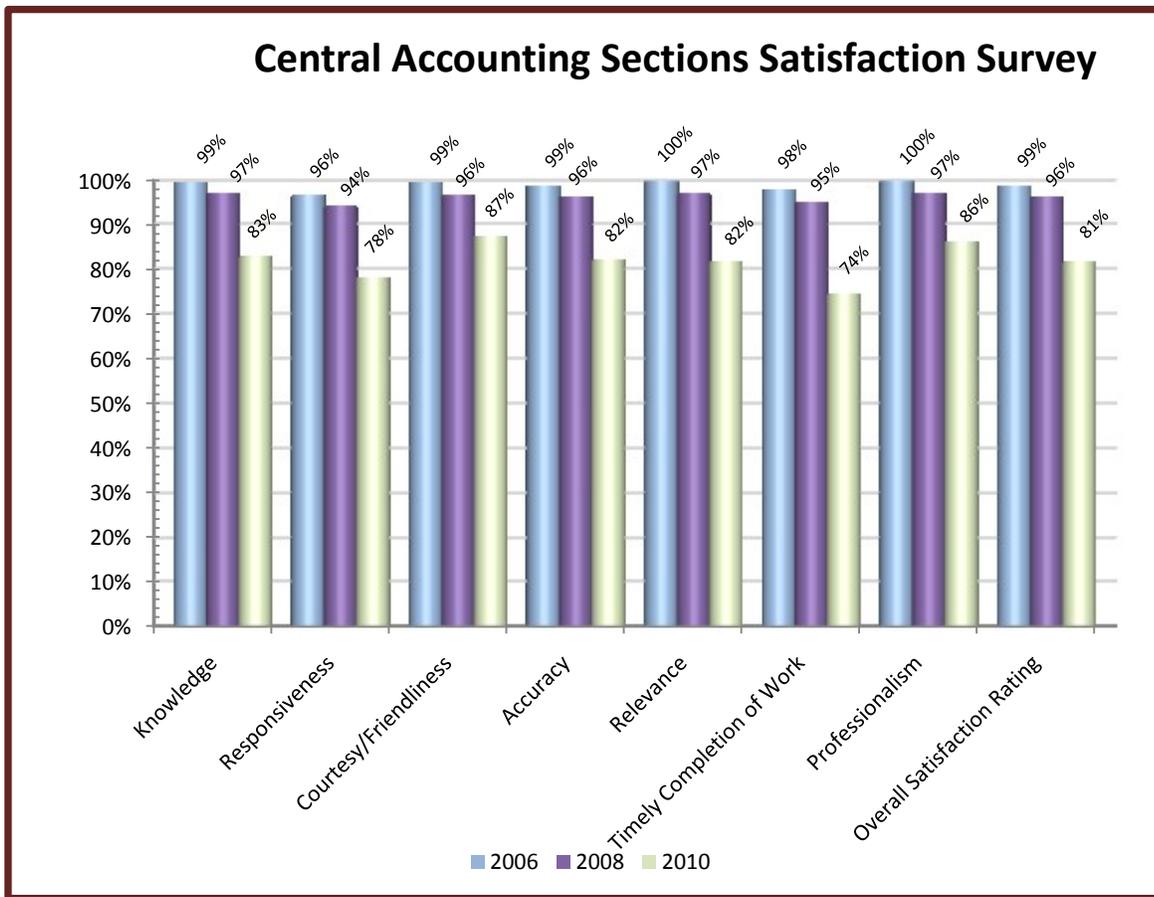
Performance Measure	FY 08-09 Results	FY 09-10 Plan	FY 09-10 Anticipated Results	FY 10-11 Plan	How are we doing?
<u>What:</u> Measures compliance with requirements in administering Federal and State programs. <u>Why:</u> Provides assurance to Federal and State agencies that there are no material weaknesses in controls affecting compliance.	The County received an unqualified opinion in all areas covered by the Single Audit Reports for FY 2007-08	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 2008-09.	The office expects to obtain a certified opinion, in a timely manner for FY 2008-09.	The office fully expects to receive certified opinions in a timely manner for all accounting related areas in FY 2009-10, 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.

**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.

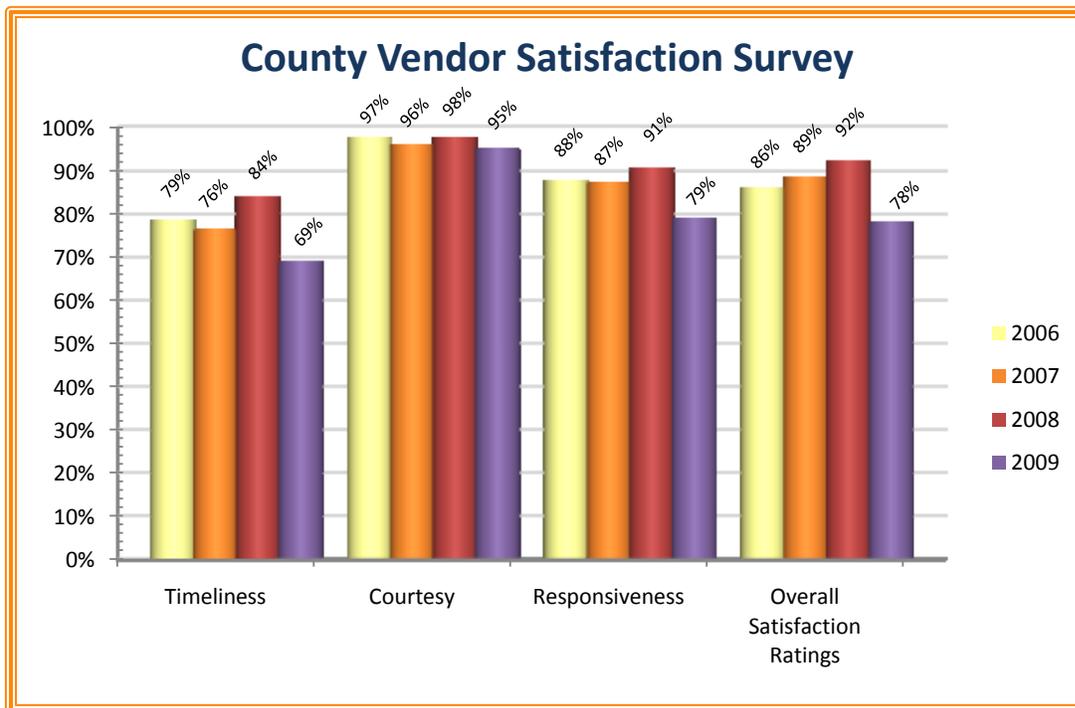
**A. The Outcome Indicator for this goal is to receive a rating of at least 90% in overall satisfaction in the office’s biennial countywide client surveys of the office’s central accounting sections (judgmental sample).**

Performance Measure	FY 08-09 Results	FY 09-10 Plan	FY 09-10 Anticipated Results	FY 10-11 Plan	How are we doing?
<p><u>What:</u> Measures client satisfaction with services of the central Auditor-Controller’s Office accounting sections.</p> <p><u>Why:</u> To meet and exceed expectations of County clients.</p>	The office survey resulted in an overall rating of 81% of these clients were “Very Satisfied” to “Satisfied” with the office’s services.	We plan to continue conducting our biennial surveys, alternating between central and satellite accounting divisions, 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 satellite accounting divisions, and meet or exceed the rating goal.	With implementation of CAPS+ and various issues, we were not able to meet our goal. We are addressing the issues brought up by the clients and expect to meet our goal in future years once all system implementation issues are resolved and users become familiar with the system.



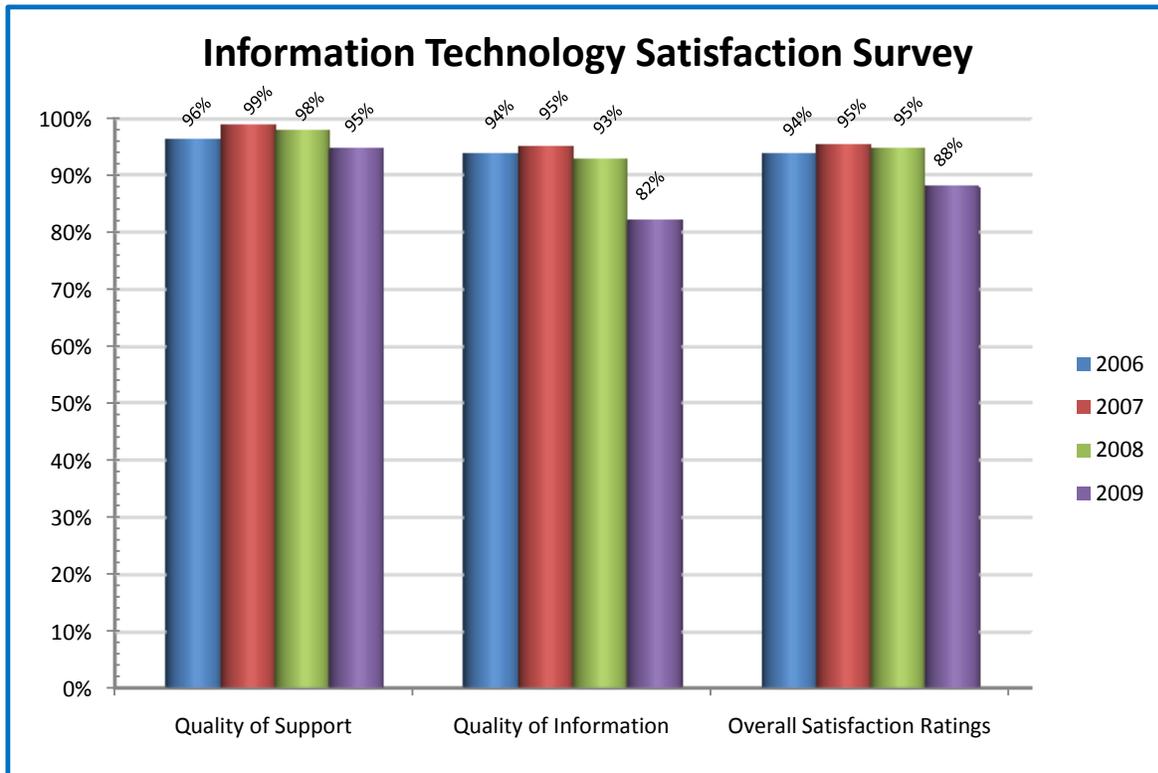
**B. The Outcome Indicator for this goal is to receive a rating of at least 90% in overall satisfaction in the office’s annual survey of County vendors (judgmental sample).**

Performance Measure	FY 08-09 Results	FY 09-10 Plan	FY 09-10 Anticipated Results	FY 10-11 Plan	How are we doing?
<p><u>What:</u> Measures vendors’ satisfaction with services provided.  <u>Why:</u> To meet and exceed the expectations of County vendors.</p>	<p>The vendor survey resulted in an overall rating of 78% being “Very Satisfied” or “Satisfied” with the County’s payment processing services.</p>	<p>The office will conduct this survey again in FY 2009-10.</p>	<p>We will strive to achieve a 90% overall satisfaction rating despite the challenges currently being faced with the implementation of the new CAPS+ system. Implementing changes to business processes are expected to bring in good outcomes that will allow us to achieve this rating.</p>	<p>The office will conduct this survey again in FY 10-11</p>	<p>Overall satisfaction rating is 78%, while courtesy continued to rate high at 95%. Responsiveness dropped to a 79% rating, and Timeliness dropped to a 69% satisfaction rating. As staff becomes adept to using the new system, we anticipate payments will be made timelier thus increasing our client’s level of satisfaction.</p>



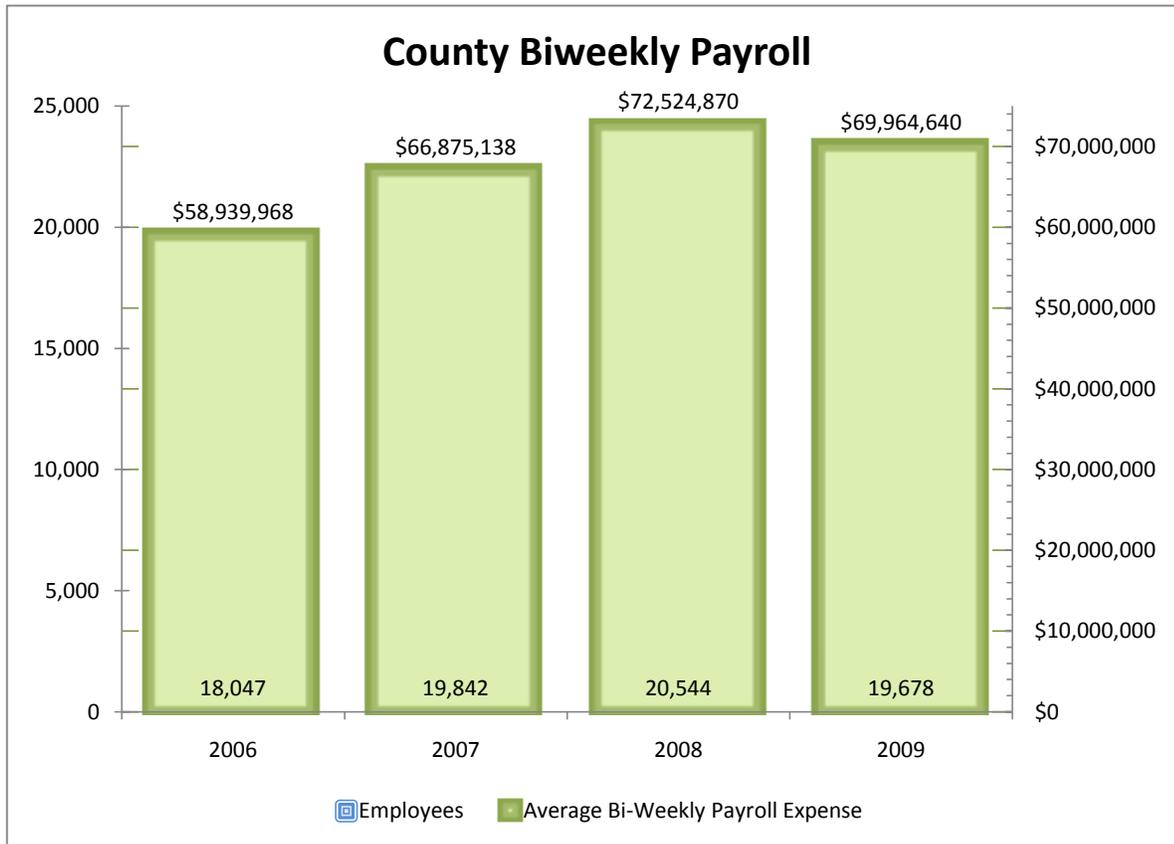
**C. The Outcome Indicator for this goal is to receive a rating of at least 90% in overall satisfaction in the annual client survey of the office’s Information Technology division (judgmental sample).**

Performance Measure	FY 08-09 Results	FY 09-10 Plan	FY 09-10 Anticipated Results	FY 10-11 Plan	How are we doing?
<p><u>What:</u> Measures client satisfaction with the quality of information provided by the CAPS systems and the level of service provided by staff.</p> <p><u>Why:</u> To meet and exceed expectations of County clients.</p>	With expectations high the office has accepted the new financial system and the directions established by the Auditor-Controller’s office.	With the CAPS+ Financial implementation being handled by a separate project team, we plan to support the existing system in conjunction to supporting the needs of the team.	We plan to continue the Admin briefings with the agencies and log the issues being reported. We current have reported concerns related to reports. This was not anticipated, but will be addressed.	We have an action plan to continue to correct issues related the CAPS+ Financial system and will be applying the lessons learned, to ensure not to replicate these into the CAPS+ Upgrade system.	The office as support receives high ratings even in the sight of all the issues being reported from the CAPS+ Financial implementation. The agencies understand and appreciate the efforts being taken to correct this.



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

Performance Measure	FY 08-09 Results	FY 09-10 Plan	FY 09-10 Anticipated Results	FY 10-11 Plan	How are we doing?
<p><u>What:</u> Measures ability to meet biweekly County payroll deadlines.</p> <p><u>Why:</u> To ensure the delivery of County services by County employees, and to maintain the financial well being of the employees themselves.</p>	All bi-weekly payroll deadlines were met for payroll in FY 2008-09.	The office plans to meet all deadlines and complete all payroll cycles during FY 2009-10.	The office expects to complete all payroll cycles and meet all deadlines during the year.	The office expects to meet this goal through the FY 2010-11. The implementation of a new HR/Payroll system in 2011 will be a major challenge in meeting this goal.	The computation and issuance of payroll for 19,000 employees was successfully completed for each pay cycle during the year.



**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 CGI 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.

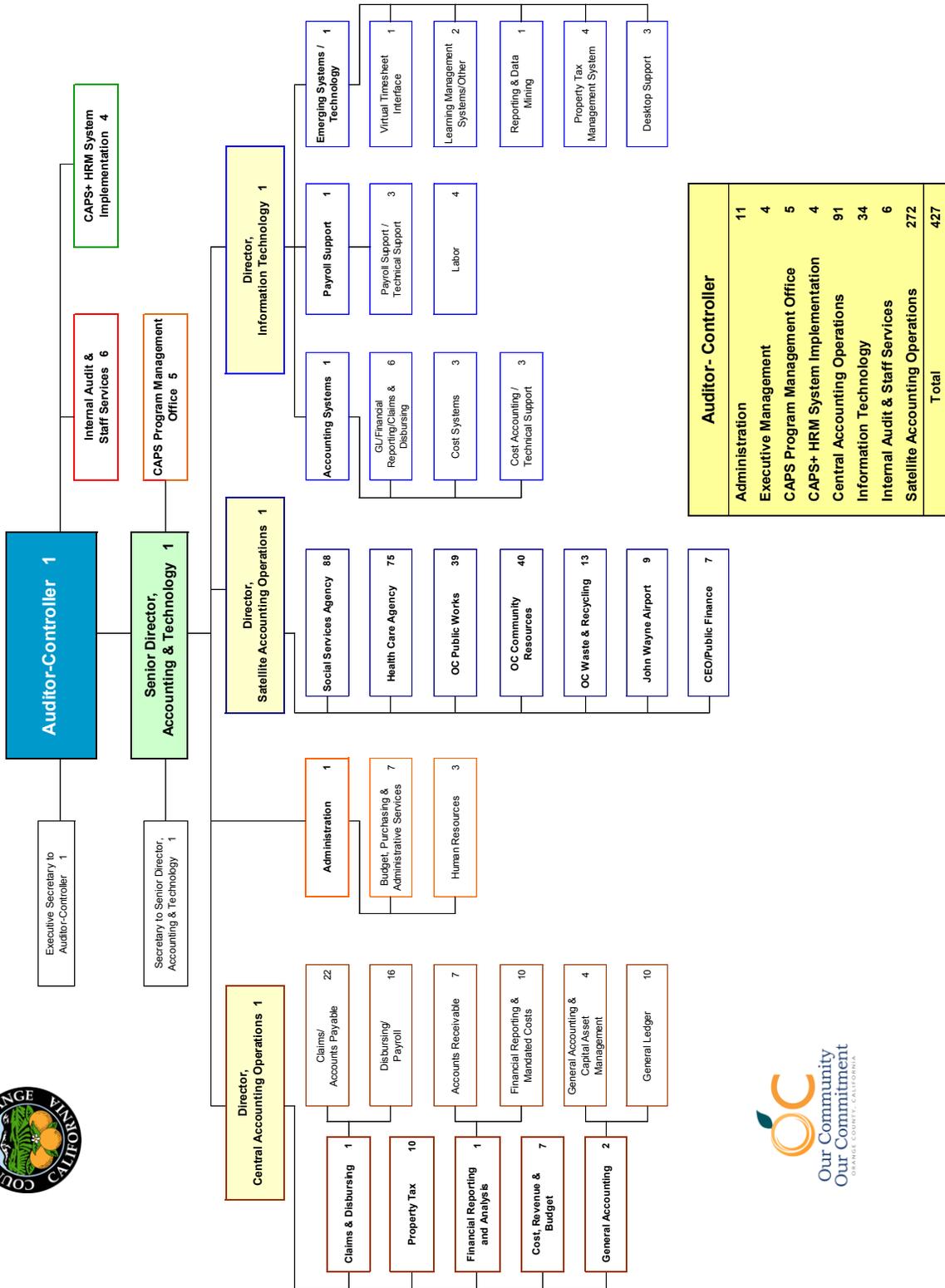
**The Outcome Indicators for this goal is as follows:**

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

Performance Measure	FY 08-09 Results	FY 09-10 Plan	FY 09-10 Anticipated Results	FY 10-11 Plan	How are we doing?
<p><u>What:</u> Measures departments/agencies that have requested to use VTI and the ability to roll out VTI to those organizations.</p> <p><u>Why:</u> Manual payroll processing is labor intensive, time consuming and prone to errors. Payroll adjustments resulting from errors are even more costly.</p>	Continued to rollout VTI in Probation with the expectation that it will be completed early 09-10.	With the completion of a VTI implementation at Probation, the Sheriff has shown interest and request demonstrations	During this fiscal year, we expect that Sherriff will implement VTI the professional staff (i.e. non officers)	Full implementation of VTI to all County departments.	Currently all departments with the exception of Sherriff is operational on VTI, this has proven to be a cost savings in the reduction of Payroll Adjustment clerk required at the department level.

# Organization Chart

## Auditor-Controller 2010 Organization Chart



Auditor- Controller	
Administration	11
Executive Management	4
CAPS Program Management Office	5
CAPS+ HRM System Implementation	4
Central Accounting Operations	91
Information Technology	34
Internal Audit & Staff Services	6
Satellite Accounting Operations	272
<b>Total</b>	<b>427</b>



## Accomplishments

- **CAPS+ FS**

The CAPS+ Financial and Procurement application was implemented on July 1, 2009. At the point this application was implemented over 4,800 county employees were trained. This was a major milestone for the County as this was the first of four major applications to transition off of the mainframe. Due to the outstanding efforts of project staff, agency participation and consultants, this project was implemented on time and within budget. The production process for both monthly and quarterly process cycles was completed with no major problems. Users have raised issues related to reports which have been addressed and a plan is in place to migrate all CAPS+ FS reports to ERMI which will allow data mining. The absence of the CAPS+ Data Warehouse has been addressed with the initial implementation completed in March 2010.

- **CAPS+ HR**

A fit analysis project which compared the current CGI Advantage 2.X system with the proposed upgraded Advantage 3.X was completed for the CAPS+ Human Resource and Payroll application. This project targeted six specific system modules including Human Resources, Position Control, Benefits, Payroll, Payroll Accounting Management (Labor), and Employee Self Service. The project took nine months working with the vendor to develop a "Fit Analysis" document. This document provided the level of effort required to propose the CAPS+ HR upgrade project. The project was presented and approved by the County of Orange, Board of Supervisors in June 2009.

- **PTMS**

With the completion of the Needs Assessment, an RFP was initiated and a vendor selected for the development of the County's new Property Tax Management System (PTMS). The vendor selected was TCS (TaTa Consulting Services) who will reside primarily on site through June 2011. This vendor brings extensive experience in the development and deployment of major applications on a global basis. This project is scheduled to be implemented in three phases with the first one already developed and being review by owner departments. The success of this project will depend upon the availability of departmental resource from the Auditor-Controller's Office (AC), Clerk of the Board (COB), and the Treasurer-Tax Collector (TTC).

- **Mileage Claims**

The Mileage Claim Automation system was implemented for the Auditor-Controller and is being rolled out at SSA. The project will automate the claiming process, eliminate a keypunch vendor and expedite reimbursements to county staff. Additionally, this project integrates the HR CAPS system and verifies against the VTI (Virtual Time Input) of hours worked. The benefits to the end-users will be an interface that appears to be a single system solution which reduces paper work and improves the reimbursement timeline.

- **VTI – Virtual timesheet Interface**

Another Auditor-Controller supported application for end users of the county to enter their bi-weekly timesheets online. This application was enhanced to meet the requirements of the Probation Department. This brought the number of employees utilizing VTI to approximately 17,800. With this successful implementation the desire is to work with the Sherriff's Department for obtaining potential requirements where VTI might be utilized.

- **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. CAFRs 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 2009, 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 2009, 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. This application with the implementation of the CAPS+ Financial system became the primary method for all employees to sign up or document their training. In June 2009 Training Partner was utilized to track the 4,800 county employees trained in CAPS+. Currently there are over 26,700 individuals enrolled in Training Partner.

- **OCCR Reorganization**

The County went through reorganization in 2008 and formed OC Community Resources (OCCR). OCCR consists of OC Public Libraries, OC Parks, OC Animal Care and OC Community Services. The Auditor-Controller provides accounting services for OCCR. Throughout 2009, we continued to work to bring together staff and design accounting processes to ensure OCCR's accounting needs are accurately and efficiently met. We combined staff and vacant positions from various Auditor-Controller units (OC Waste & Recycling Accounting, OC Community Services Accounting, OC Public Works Accounting, CAPS+ Team, and SSA Accounting) to form this new accounting unit. This new accounting unit also contains staff and vacant positions transferred from OC Public Libraries, Public Works, and the Health Care Agency. This new accounting unit performs the following accounting duties: reimbursement claims and fiscal monitoring, accounts payable, job cost, payroll, accounts receivable and general accounting and disbursing. Staff had to learn new job duties, work with new people, and half of them were assigned to work in new locations. Staff has adapted well to all these changes and did an excellent job of cross-training and learning their new job duties. It is very challenging to provide accounting services to the many diverse entities that make up OCCR, but staff has stepped up and met the challenge.