

1010800000—Auditor-Controller

General Government

Jerome C. Wilverding, Auditor-Controller

General Fund	2017-2018 Actual	2018-2019 Adjusted	2019-2020 Requested	2019-2020 Recommended	Increase/ (Decrease)
Expenditures					
<i>Salaries & Benefits</i>	\$3,597,514	\$3,845,880	\$4,215,828	\$4,215,828	\$369,948
<i>Services & Supplies</i>	342,129	368,150	387,563	387,563	19,413
<i>Centrally-Budgeted Expenses</i>	1,891,117	2,371,266	2,345,306	2,345,306	(25,960)
<i>Total Expenditures</i>	\$5,830,760	\$6,585,296	\$6,948,697	\$6,948,697	\$363,401
<i>Expenditure Reimbursements</i>	(1,643,702)	(2,672,000)	(3,074,539)	(3,074,539)	(402,539)
<i>Total Appropriations</i>	\$4,187,058	\$3,913,296	\$3,874,158	\$3,874,158	(\$39,138)
Earned Revenues By Source					
<i>Interest/Rents</i>	\$50	\$0	\$0	\$0	\$0
<i>Aid From Other Governments</i>	17,898	10,000	10,000	10,000	0
<i>Charges For Services</i>	1,077,160	1,027,439	1,046,176	1,046,176	18,737
<i>Miscellaneous Revenues</i>	171,516	190,050	190,050	190,050	0
<i>Total Revenues</i>	\$1,266,624	\$1,227,489	\$1,246,226	\$1,246,226	\$18,737
Net County Cost	\$2,920,434	\$2,685,807	\$2,627,932	\$2,627,932	(\$57,875)
Staffing					
<i>Allocated Positions</i>	31.0	31.0	32.0	32.0	1.0
<i>Temporary (Full-Time Equivalent)</i>	0.0	1.0	1.0	1.0	0.0
<i>Total Staffing</i>	31.0	32.0	33.0	33.0	1.0

Purpose

The Auditor-Controller's Office (ACO) provides accounting and auditing services for departments, districts, and agencies throughout the County. The ACO has four major functions: 1) property tax calculations and allocations; 2) employee payroll and benefits maintenance; 3) fund and budget reporting, accounts payable, and claim processing; and 4) internal audits and cost allocation.

Functions of the Auditor-Controller are mandated while service levels are discretionary. Duties include maintenance of accounting records, preparation of financial reports, auditing, processing payments and payrolls, and a wide variety of accounting support to County operations.

Board Strategic Priorities 2019-2020 through 2021-2022

The 2019-2020 recommended budget for the Auditor-Controller focuses on the implementation of the Board Strategic Priorities as adopted by the Board on April 9, 2019.

The Board Strategic Priorities for fiscal years 2019-2020 through 2021-2022 are a continuation of the Board's original five key priorities established in 2015. The Board has updated and augmented the goals associated with these strategic priorities to reflect the Board's direction related to water issues, health, collaboration, and homelessness.

Ensure Fiscal Responsibility

As the County's central accounting department, the ACO handles and controls disbursements related to payroll and vendor payables; accounts for cash received from taxpayers and other agencies; allocates costs between governmental entities; and reports on the financial condition of County operations. Policies and procedures are established and followed to ensure assets are properly safeguarded; fiscal compliance is maintained regarding laws and sound business practices; reporting information is proper and accurate; and activities that flow through the ACO are efficient and effective.

As the County's internal auditor, the ACO is responsible for ensuring that County entities meet the same standards of fiscal

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responsibility as the ACO. This happens through various mandated and discretionary audits and reviews performed by the Internal Audit Division. The results of these projects are reported to management and the Board of Supervisors.

Promote Good Governance and Increase Organizational Capabilities

Good internal controls provide the cornerstone for good governance, and the ACO is the central nervous system within the County for good internal controls. Fiscal operations should be consistent with the goals and objectives of County management. This means financial activities should be properly authorized, accurate and complete, and correctly and promptly reported. As County leaders are provided timely and accurate information, departments can carry out duties more effectively. This provides better governance and organizational opportunities. As an added control, internal auditing assesses the levels of governance and effectiveness of County entities by directly measuring their activities against established standards and best practices.

Improve Public Safety and Enhance Overall Criminal Justice System

The most effective role the ACO can play regarding this priority is to provide support to departments that are directly responsible for public safety and criminal justice. This would include insuring that law enforcement and attorneys operating on the frontlines have the economic resources and related support services needed to effectively perform their jobs. This also includes basic functions such as timely disbursements for critical supply and equipment purchases, as well as facilitating grant-related submissions and receipt of funds to support specific programs. The ACO has the responsibility and authority to ascertain and investigate instances of fraud. Within the past five years, the ACO has worked on three issues related to internal management fraud at entities within the County, and will continue to be vigilant for any potentially fraudulent activity.

Promote Economic Development

As noted with public safety, the most effective role the ACO can play regarding this priority is to provide support to departments directly responsible for economic development. In addition, the ACO will conduct performance audits of programs related to economic development, to assess their effectiveness and efficiency. This activity has included a Countywide audit of fees that the County charges for specific services, which was completed in 2018-2019.

Major Budget Changes

Salaries & Employee Benefits

- \$257,294 Salary and benefits adjustments.
- \$117,654 Add a Business Analyst position.
- (\$5,000) Decrease in overtime costs.

Services & Supplies

- \$17,750 Increase in professional services and contracted independent auditors.

Centrally-Budgeted Expenses

- (\$17,972) Decrease in data processing and automation charges.
- (\$7,988) Decrease in Workers' Compensation and Casualty insurance costs.

Expenditure Reimbursements

- (\$402,539) Cost Allocation Plan adjustment.

Revenues

- \$25,000 Increase in property tax assessment processing fees.
- (\$5,000) Decrease in auditing fees and charges to outside agencies.

Program Discussion

The 2019-2020 recommended budget for the ACO totals \$6,948,697, which is an increase of \$363,401 from the 2018-2019 adjusted budget. This increase primarily reflects salary and benefits adjustments and the addition of a Business Analyst position.

The Auditor-Controller performs key operational business functions for the County and operates as the County's financial hub. These functions include general accounting, payroll, property tax, internal auditing, grants, and cost allocations. In 2018-2019, the ACO calculated and allocated over \$762.0 million in property tax revenue to the County, its 7 cities, 17 school districts, 132 Special Districts, and 4 redevelopment successor agencies. The gross annual salary and benefits processed for County and Special Districts exceeded \$800.0 million and covered over 8,000 employees. Over 150,000 checks to vendors are processed each year. The

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ACO also tracks and accounts for grant money from Federal and State sources, which is allocated for schools, human services, public safety, and realignment.

The Auditor-Controller is responsible for the County's financial reporting and controls. This includes the annual financial audit, audits of Special Districts (Board-governed and locally-governed), single audits of grant programs, and the 2 CFR Part 200 - Cost Allocation Plan. The County is currently under contract with an independent audit firm, Vavrinek, Trine, Day & Co., LLP to provide single audit services through 2019-2020.

In 2015-2016, the Auditor-Controller engaged MGT of America (MGT) to generate the County's Cost Allocation Plan and submission to the State Controller's Office. The purpose of the engagement was to leverage MGT's knowledge and experience as a premier provider of cost plan services for local governments. MGT is also contracted for services through the 2019-2020 submission. The Auditor-Controller expects to continue to leverage MGT's knowledge and experience in 2019-2020 to further improve the Cost Allocation Plan accounting and reporting.

Audit Division

As the financial oversight function for the County, the Auditor-Controller maintains an Internal Audit Division, which performs mandated and discretionary audits. In 2018-2019, the Division completed the series of departmental audits related to the Countywide Fee Audit project, as requested by the Board. In addition, it performed mandatory projects, such as the triennial audit of the Property Tax Redemption Fund and the 2019-2020 Countywide Cost Allocation Plan.

Among the audits planned for 2019-2020 are mandatory audits of Juvenile Probation and the First 5/Public Health Breastfeeding Initiative Program, along with discretionary audits of Countywide supply inventories, surplus property disposal, departmental trust funds, and take-home vehicles. The Division will also prepare the 2020-2021 Countywide Cost Allocation Plan.

Redevelopment Dissolution

Effective February 1, 2012, the Auditor-Controller is charged with the accounting functions related to redevelopment dissolutions. Accounting for redevelopment tax revenue, associated pass through payments, and allocation of residual monies to affected taxing entities is accounted for and controlled by the Auditor-Controller. Senate Bill 107, approved by Governor Brown in September 2015, further expanded the role of the Auditor-Controller regarding

redevelopment, requiring the establishment of a new Countywide oversight board to be staffed by the Auditor-Controller commencing July 1, 2018. The ACO, working in conjunction with the Clerk of the Board, has established the Countywide Oversight Board as of the statutory deadline. This Oversight Board held its initial meeting in November 2018, and held its first regular meeting January 2019.

County Accounting and Personnel System

The ACO is a major participant in upgrading and maintaining the County Accounting and Personnel System (CAPS), the core automated administrative system. The System, originally implemented in 2003-2004, was upgraded in 2016-2017, and new functional modules were introduced in 2017-2018. In partnership with Information Systems Division (ISD), further evaluation of additional CAPS functionalities/modules to enhance internal controls, productivity, and efficiencies in all County departments will continue in 2019-2020. The San Joaquin General Hospital (SJGH) went 'live' with its Cerner system implementation in March 2018. The ACO will continue to work with ISD and SJGH staff to smooth the transition into 2019-2020.

Property Tax System

Since 2002, Megabyte has been the County's automated property tax system. Megabyte server migration began in 2014-2015, and was completed in 2018-2019. System updates and new programs continue to be tested and released when available from Megabyte. The Assessor implemented the Megabyte system in January 2018, bringing all three property tax-related County departments onto the same system. During 2019-2020, the Auditor-Controller, Treasurer-Tax Collector, and ISD will continue to work closely to monitor system performance.

Supplemental Request

The Auditor-Controller is requesting additional funding of \$117,654 for a Business Analyst position to provide support for functional PeopleSoft upgrades of the finance and payroll applications. Time, effort, and resources are required by the ACO to ensure the system enhancements achieve the desired results on a timely basis. The position will focus on the implementation and testing of the new upgrade functionalities in finance and payroll including: data analytics, spreadsheet import capabilities, project costing, absence management, Human Resources enhancements affecting payroll, and development of customized PeopleSoft queries.

The recommended budget has been augmented for this request.

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	Workload Data			Est./Act.	Projected
	-----Actual-----				
	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Treasury Deposit Receipts	13,297	12,999	13,480	14,200	14,300
Disbursements					
<i>Checks Handled</i>	149,853	151,948	144,000	155,000	156,000
<i>Direct Deposits</i>	177,761	186,333	185,767	186,000	187,000
<i>Purchase Orders & Claims</i>	129,277	133,057	140,749	142,900	143,000
<i>1099s Issued</i>	1,410	1,362	1,357	1,450	1,500
Journal Entries	14,556	14,250	16,755	22,000	22,500
Property Taxes					
<i>Changes to Tax Roll</i>	11,932	9,953	8,687	18,000	11,000
<i>Auditor's Tax Refunds</i>	3,384	3,561	3,311	3,800	3,500
<i>Tax Redemptions</i>	461	649	254	400	400
<i>Supplemental Billings</i>	24,260	25,466	16,500	20,000	20,000
Internal Audit Engagements/Projects	15	12	17	23	18