

# ACO BUDGET

FY 2018-19

# ACO Mandates

- Bi-Weekly payroll of 5,300 employees, 6,100 employees counting temp, turn-over
- Vendor payments, 10,000 invoices paid monthly
- Accounting and Reporting of entire County's financial data
- \$1.5 billion budget control annually
- \$650 million Property Tax calculation and distribution to 150 agencies annually
- Mandated Internal Audits

# ERP System Maintenance

- Eight filled Business Analysts (BA) support the County's financial infrastructure - ERP system. ERP system includes Budgeting, Financial, HRM/Payroll modules
- Financial module includes Procurement, Accounts Payable, General Ledger, Financial Reporting, 1099-tax reporting
- HRM/Payroll module includes individual employee pay and benefit code set-up, bi-weekly payroll, bi-weekly tax liability payments, employee pay and benefit set-up per MOU changes, W-2 tax reporting, open enrollment set-up
- Two new BA positions were created and filled to handle added work-load for 3.10 testing and implementation
- The recommended budget removes four out of eight BA positions. It is unrealistic to expect four Business Analysts supporting the entire ERP system and provide the services to meet functional deadlines and user needs

# ERP System Maintenance

- ACO can not guarantee *timely* completion of its mandates:
  - *Bi-weekly payroll of 5,300 employees*
  - *Vendor Payments*
  - *Accounting and Reporting of County's financial data*
  - *County's Tax Reporting*
  - *Retirement Plan Reporting*
- If critical functions are missed or delayed, it may expose the County to litigations and may negatively impact its credit rating
- The cost of a Business Analyst position is \$130,000

# Internal Audit Division

- With the newly recruited Chief Deputy, the ACO has a plan to routinely update the Board with audit reports and seek approval of County's Internal Audit Charter and Annual Audit Plan
- The division is staffed with two auditors. Due to the limited resources, the ACO plans to co-ordinate with the Board and conduct
  - *Audits of external agencies that has potential to bring additional revenues to the County*
  - *Mandated audits*
  - *Requested audits by the County departments*
- In the past, the ACO conducted TOT (Transient Occupancy Tax) audits of Hotel Operators and brought in significant additional perpetual revenues to the County

# Internal Audit Division - County Resource Comparison

- Monterey County is not aligned with best practices

County	# Auditors
Monterey	2
San Luis Obispo	5
Kern	6
Ventura	8
Sacramento	9
Santa Clara	9
Santa Barbara	10
Riverside	11
San Diego	15
San Bernardino	16
Los Angeles	90

# Internal Audit Division

- The recommended budget removes the recently hired Internal Audit Chief Deputy
- The County's \$1.5 billion budget warrants that its activities are reviewed by the independent, objective entity - internal audit, to evaluate and determine opportunities for saving money and improving efficiencies
- The external auditors also expect a fully functioning Internal Audit activity
- The supply of auditing talent is scarce, the ACO recommends to keep this position and retain the qualified individual that has filled this position
- The cost of the Chief Deputy position is \$174,000

Document Type / Commodity Code	2017	YTD Q3 2018	2018 Annualized	Projected 2 Year Spend
<b>BPO</b>				
Access Svc, Data	4,533	4,636	6,181	10,715
Education & Training Consulting	9,576	-	-	9,576
<b><i>BPO Total</i></b>	<b><i>14,109</i></b>	<b><i>4,636</i></b>	<b><i>6,181</i></b>	<b><i>20,291</i></b>
<b>DO</b>				
Access Svc, Data	35,639	28,882	38,510	74,149
Accounting/Auditng/Budget Consulting	50,724	65,989	87,985	138,709
Administrative Consulting	296,486	269,181	358,908	655,394
Analytical Studies & Surveys (Consulting)	45,997	16,242	21,655	67,652
Auditing	247,276	208,282	277,709	524,985
Certified Public Accountant (CPA) Svc	55,586	35,619	47,492	103,078
Computer NetworkConsulting	22,231	64,952	86,602	108,833
Computer Software Consulting	240,908	179,540	239,386	480,294
Consulting Svc (Not Othrwise Classified)	823,330	537,629	716,838	1,540,168
Education & Training Consulting	273,641	307,071	409,428	683,068
Employee Benefits Consulting	38,250	34,000	45,333	83,583
Engineering Consulting	119,678	45,326	60,435	180,113
Environmental Consulting	674,856	269,574	359,432	1,034,288
Finance/Economics Consulting	44,000	2,500	3,333	47,333
Financial Svc (Not Othrwise Classified)	61,652	110,165	146,887	208,539
Governmental Consulting	269,046	89,043	118,723	387,769
Human Svc Consulting (To Incl Mental Hlth Consulting Svc)	32,112	18,100	24,133	56,245
IT Consulting	6,465	480	640	7,105
Management Consulting	66,170	54,919	73,226	139,396
Marketing Consulting	130,001	42,000	56,000	186,001
Organizational Development Consulting	55,514	12,000	16,000	71,514
Personnel/Employment Consulting (Human Resources)	205,244	87,433	116,577	321,822
<b><i>DO Total</i></b>	<b><i>3,794,806</i></b>	<b><i>2,478,924</i></b>	<b><i>3,305,232</i></b>	<b><i>7,100,038</i></b>
<b>EPO</b>				
Environmental Consulting	8,810	-	-	8,810
<b><i>EPO Total</i></b>	<b><i>8,810</i></b>	<b><i>-</i></b>	<b><i>-</i></b>	<b><i>8,810</i></b>
<b>PO</b>				
Governmental Consulting	6,250	-	-	6,250
Personnel/Employment Consulting (Human Resources)	990	-	-	990
<b><i>PO Total</i></b>	<b><i>7,240</i></b>	<b><i>-</i></b>	<b><i>-</i></b>	<b><i>7,240</i></b>
<b>Grand Total</b>	<b>3,824,966</b>	<b>2,483,560</b>	<b>3,311,413</b>	<b>7,136,379</b>

# Internal Audit Division

- One example:
- External audit and consulting services costs the County more than \$3 million annually
- The ACO recommends that the County invest 10 to 20% of such annual cost in internal audit resources to reduce or eliminate external audit and consulting fees

# Property Tax

- Property Tax is the County's biggest source of discretionary revenue
- The division has four staff who calculate \$650 million of property tax and prepare tax bills annually. The Tax-Collector prints the bills and collects the taxes.
- The ACO staff then distribute \$650 million in Property taxes to 150 jurisdictions county-wide
- A veteran manager who has served the ACO in this area for 40 years is retiring. The ACO is requesting a resource for knowledge transfer and succession planning in the form of a Management-On-Loan Position for one year in this critical function – the cost is \$122,000
- Property Tax activities are performed on an annual cycle and takes 3-5 years to reach a proficient level of knowledge
- Deadlines may not be met should one of the two management positions remain unfilled for a period of time or both turnover within 3-5 years

# General Accounting - Cannabis

- One Analyst position was recommended to be modified to .5 FTE on 4/24/18
- ACO would be unable to provide the following services listed in the augmentation request for the full time position:
  - *Monthly Board update and reporting of the Cannabis activity - revenues, expenditures, liabilities, and fund balance/assignments*
  - *Timely analysis of the transactions to establish trends, and mitigate the risks of under-reported tax revenues*
  - *Monitoring and enforcement of proper use of accounting codes by the departments*
    - Could lead to erroneous inclusion of disallowed cannabis activities in the Cost Allocation Plan, and grant reimbursement requests that can jeopardize future reimbursements/revenue for the County