

ALAMEDA COUNTY

Audit Report

ABSENTEE BALLOTS PROGRAM

Chapter 77, Statutes of 1978,
and Chapter 920, Statutes of 1994

July 1, 1999, through June 30, 2003



STEVE WESTLY
California State Controller

January 2005



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California State Controller

January 21, 2005

The Honorable Patrick O'Connell
Auditor-Controller
Alameda County
1221 Oak Street, Room 249
Oakland, CA 94612

Dear Mr. O'Connell:

The State Controller's Office audited the claims filed by Alameda County for costs of the legislatively mandated Absentee Ballots Program (Chapter 77, Statutes of 1978, and Chapter 920, Statutes of 1994) for the period of July 1, 1999, through June 30, 2003.

The county claimed \$1,049,376 (\$1,050,376 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$955,800 is allowable and \$93,576 is unallowable. The unallowable costs occurred primarily because the county overstated costs for salaries and benefits, overstated indirect costs, and claimed costs that were not related to the mandated program. The State paid the county \$630,686. Allowable costs claimed exceed the amount paid by \$325,114.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site at www.csm.ca.gov (Guidebook link), and obtain IRC forms by telephone at (916) 323-3562 or by e-mail at csminfo@csm.ca.gov.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

Original Signed By:

VINCENT P. BROWN
Chief Operating Officer

VPB:JVB/jj

cc: (See page 2)

cc: Brad Clark

Registrar of Voters

Alameda County

Elaine Ginnold

Assistant Registrar of Voters

Alameda County

James Tilton, Program Budget Manager

Corrections and General Government

Department of Finance

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Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by Alameda County for costs of the legislatively mandated Absentee Ballots Program (Chapter 77, Statutes of 1978, and Chapter 920, Statutes of 1994) for the period of July 1, 1999, through June 30, 2003. The last day of fieldwork was May 20, 2004.

The county claimed \$1,049,376 (\$1,050,376 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$955,800 is allowable and \$93,576 is unallowable. The unallowable costs occurred primarily because the county overstated costs for salaries and benefits, overstated indirect costs, and claimed costs that were not related to the mandated program. The State paid the county \$630,686. Allowable costs claimed exceed the amount paid by \$325,114.

Background

Election Code Section 3003 (added by Chapter 77, Statutes of 1978, and amended by Chapter 920, Statutes of 1994) requires absentee ballots to be available to any registered voter without conditions. Prior law required that absentee ballots be provided only when the voter met one of the following conditions: illness; absence from precinct on election day; physical handicap; conflicting religious commitments; or residence more than ten miles from the polling place.

Election Code Section 3024 (added by Chapter 1032, Statutes of 2002, effective September 28, 2002) prohibits local agencies from fully or partially prorating their costs to school districts. Therefore, the law excludes school districts, county boards of education, and community college districts from claiming costs under the Absentee Ballots Program when they do not administer their own elections. However, school districts that administer their own elections are eligible claimants on or after September 28, 2002.

On June 17, 1981, the Board of Control (now the Commission on State Mandates [COSM]) determined that Chapter 77, Statutes of 1978; Chapter 920, Statutes of 1994; and Chapter 1032, Statutes of 2002, imposed a state mandate reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on August 12, 1982, and last amended it on February 27, 2003. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Absentee Ballots Program for the period of July 1, 1999, through June 30, 2003.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, not funded by another source, and not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Section 17558.5. We did not audit the county's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the county's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Alameda County claimed \$1,049,376 (\$1,050,376 less a \$1,000 penalty for filing a late claim) for Absentee Ballots Program costs. Our audit disclosed that \$955,800 is allowable and \$93,576 is unallowable.

For fiscal year (FY) 1999-2000, the State paid the county \$230,311. Our audit disclosed that \$209,874 is allowable. The county should return \$20,437 to the State.

For FY 2000-01, the State paid the county \$234,352. Our audit disclosed that \$323,447 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$89,095, contingent upon available appropriations.

For FY 2001-02, the State paid the county \$166,023. Our audit disclosed that \$256,314 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$90,291, contingent upon available appropriations.

For FY 2002-03, the State made no payment to the county. Our audit disclosed that \$166,165 is allowable. The State will pay the \$166,165 contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on November 15, 2004. We contacted Elaine Ginnold, Assistant Registrar of Voters, by e-mail on December 7, 2004. Ms. Ginnold declined to respond to the draft report.

Restricted Use

This report is solely for the information and use of Alameda County, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original Signed By:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

**Schedule 1—
Summary of Program Costs
July 1, 1999, through June 30, 2003**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u>	<u>Reference¹</u>
<u>July 1, 1999, through June 30, 2000</u>				
Salaries	\$ 58,844	\$ 56,112	\$ (2,732)	Finding 1
Benefits	15,340	7,655	(7,685)	Finding 1
Services and supplies	<u>155,138</u>	<u>148,157</u>	<u>(6,981)</u>	Finding 2
Subtotals	229,322	211,924	(17,398)	
Indirect costs	<u>62,686</u>	<u>53,883</u>	<u>(8,803)</u>	Finding 1
Total cost of absentee ballots cast	292,008	265,807	<u>\$ (26,201)</u>	
Number of absentee ballots cast	÷ 65,564	÷ 66,215		
Cost per absentee ballot	\$4.45	\$4.01		
Additional number of absentee ballot filings	× 51,936	× 52,587	<u>651</u>	Finding 4
Total cost of additional ballot filings	231,311	210,874	\$ (20,437)	
Less offsetting savings/reimbursements	—	—	—	
Less late penalty	<u>(1,000)</u>	<u>(1,000)</u>	—	
Amount claimed	<u>\$ 230,311</u>	209,874	<u>\$ (20,437)</u>	
Less amount paid by the State		<u>(230,311)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (20,437)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Salaries	\$ 74,312	\$ 73,128	\$ (1,184)	Finding 1
Benefits	16,863	11,106	(5,757)	Finding 1
Services and supplies	<u>270,178</u>	<u>263,155</u>	<u>(7,023)</u>	Finding 2
Subtotals	361,353	347,389	(13,964)	
Indirect costs	<u>66,740</u>	<u>61,659</u>	<u>(5,081)</u>	Finding 1
Total cost of absentee ballots cast	428,093	409,048	<u>\$ (19,045)</u>	
Number of absentee ballots cast	÷ 94,452	÷ 94,705		
Cost per absentee ballot	\$4.53	\$4.32		
Additional number of absentee ballot filings	× 74,619	× 74,872	<u>253</u>	Finding 4
Total cost of additional ballot filings	338,202	323,447	\$ (14,755)	
Less offsetting savings/reimbursements	—	—	—	
Amount claimed	<u>\$ 338,202</u>	323,447	<u>\$ (14,755)</u>	
Less amount paid by the State		<u>(234,352)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 89,095</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Salaries	\$ 48,063	\$ 36,058	\$ (12,005)	Finding 1
Benefits	54	4,129	4,075	Finding 1
Services and supplies	<u>277,415</u>	<u>277,415</u>	<u>—</u>	
Subtotals	325,532	317,602	(7,930)	
Indirect costs	<u>31,276</u>	<u>24,096</u>	<u>(7,180)</u>	Findings 1, 3
Total cost of absentee ballots cast	356,808	341,698	<u>\$ (15,110)</u>	
Number of absentee ballots cast	<u>÷ 62,546</u>	<u>÷ 62,546</u>		
Cost per absentee ballot	\$5.70	\$5.46		
Additional number of absentee ballot filings	<u>× 53,301</u>	<u>× 53,301</u>	<u>—</u>	
Total cost of additional ballot filings	304,067	291,023	\$ (13,044)	
Less offsetting savings/reimbursements	<u>—</u>	<u>(34,709)</u>	<u>(34,709)</u>	Finding 5
Amount claimed	<u>\$ 304,067</u>	256,314	<u>\$ (47,753)</u>	
Less amount paid by the State		<u>(166,023)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 90,291</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Salaries	\$ 67,968	\$ 73,878	\$ 5,910	Finding 1
Benefits	16,809	6,606	(10,203)	Finding 1
Services and supplies	<u>49,472</u>	<u>49,472</u>	<u>—</u>	
Subtotals	134,249	129,956	(4,293)	
Indirect costs	<u>52,477</u>	<u>45,715</u>	<u>(6,762)</u>	Findings 1, 3
Total cost of absentee ballots cast	186,726	175,671	<u>\$ (11,055)</u>	
Number of absentee ballots cast	<u>÷ 77,963</u>	<u>÷ 77,997</u>		
Cost per absentee ballot	\$2.40	\$2.25		
Additional number of absentee ballot filings	<u>× 73,817</u>	<u>× 73,851</u>	<u>34</u>	Finding 4
Total cost of additional ballot filings	176,796	166,165	(10,631)	
Less offsetting savings/reimbursements	<u>—</u>	<u>—</u>	<u>—</u>	
Amount claimed	<u>\$ 176,796</u>	166,165	<u>\$ (10,631)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 166,165</u>		
<u>Summary: July 1, 1999, through June 30, 2003</u>				
Total cost of absentee ballots cast	<u>\$ 1,263,635</u>	<u>\$ 1,192,224</u>	<u>\$ (71,411)</u>	
Total cost of additional ballot filings	\$ 1,050,376	\$ 991,509	\$ (58,867)	
Less offsetting savings/reimbursements	<u>—</u>	<u>(34,709)</u>	<u>(34,709)</u>	
Subtotals	1,050,376	956,800	(93,576)	
Less late penalty	<u>(1,000)</u>	<u>(1,000)</u>	<u>—</u>	
Amount claimed	<u>\$ 1,049,376</u>	955,800	<u>\$ (93,576)</u>	
Less amount paid by the State		<u>(630,686)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 325,114</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unallowable salaries, benefits, and related indirect costs claimed

The county overstated employee salaries and benefits by \$29,581 for the audit period. The related indirect costs, based on the claimed indirect cost rate for each fiscal year, total \$21,696.

Overstated costs and the related indirect costs are summarized as follows:

	Fiscal Year				Total
	1999-2000	2000-01	2001-02	2002-03	
Salaries:					
Time reporting	\$ (2,457)	\$ (1,184)	\$ (846)	\$ 5,910	\$ 1,423
Salary rates	<u>(275)</u>	<u>—</u>	<u>(11,159)</u>	<u>—</u>	<u>(11,434)</u>
Total salaries	<u>(2,732)</u>	<u>(1,184)</u>	<u>(12,005)</u>	<u>5,910</u>	<u>(10,011)</u>
Benefits:					
Benefit rates	(6,989)	(5,757)	4,075	(10,203)	(18,874)
Overtime	<u>(696)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(696)</u>
Total benefits	<u>(7,685)</u>	<u>(5,757)</u>	<u>4,075</u>	<u>(10,203)</u>	<u>(19,570)</u>
Related indirect costs	<u>(8,803)</u>	<u>(5,081)</u>	<u>(5,155)</u>	<u>(2,657)</u>	<u>(21,696)</u>
Audit adjustment	<u>\$(19,220)</u>	<u>\$(12,022)</u>	<u>\$(13,085)</u>	<u>\$(6,950)</u>	<u>\$ (51,277)</u>

For FY 1999-2000, the county overstated claimed salary costs by \$2,457 because it overstated employee work hours. This error occurred because of mathematical errors made when its employees added regular hours and overtime hours worked on their timesheets. The county also overstated salary costs by \$275 because it used the wrong job position when calculating the pay rate for one employee. The county overstated employee benefit costs by \$6,989 because an estimated average employee benefit rate of 29% was used for all temporary employees, rather than actual benefit rates attributable to each employee or an average fringe benefit cost by job classification. The actual benefit rates for temporary employees ranged between 7.65% and 17.23%. The county also overstated employee benefit costs by \$696 because it claimed benefit costs for employees who worked overtime, although the county does not pay employee benefits for overtime work.

For FY 2000-01, the county overstated claimed salary costs by \$1,184 because it overstated the number of employee work hours due to mathematical errors. The county also overstated employee benefit costs by \$5,757 because it used an average estimated employee benefit rate of 29% for all temporary employees. The actual employee benefit rates ranged between 9.05% and 16.91%.

For FY 2001-02, the county overstated employee benefit costs by \$7,084 because an estimated average benefit rate of 30% was used for all temporary employees. The actual employee benefit rates ranged between 1.61% and 23.8%. The county also overstated claimed salary costs by \$846 because it overstated the number of claimed work hours due to mathematical errors.

For FY 2002-03, the county understated \$5,910 in salaries by claiming fewer hours than the total hours shown on employee timesheets. The county overstated employee benefit costs by \$10,203 because an estimated average employee benefit rate of 30% was used for all temporary employees. The actual employee benefit rates ranged from 1.65% to 21.01%.

Parameters and Guidelines states that all costs claimed shall be traceable to source documents that show the validity of such costs. Claimed reimbursement for employee costs should be supported by name, position, productive hourly rate, hours worked, fringe benefits amount, and a brief description of assigned unit and function relative to the mandate.

Recommendation

We recommend that the county establish and implement procedures to ensure that all salary and benefit costs claimed are properly supported and eligible for reimbursement.

**FINDING 2—
Unallowable materials
and supplies costs
claimed**

The county claimed unallowable materials and supplies costs totaling \$14,004 for the period of July 1, 1999, through June 30, 2001. A summary of the unallowable costs is as follows:

	<u>Fiscal Year</u>		
	<u>1999-2000</u>	<u>2000-01</u>	<u>Total</u>
Printing costs	<u>\$ (6,981)</u>	<u>\$ (7,023)</u>	<u>\$ (14,004)</u>

The costs relate to the printing of sample absentee ballots that were distributed to polling places and used by county “trouble shooters” who monitored the election process.

Parameters and Guidelines states that reimbursements are provided only for costs associated with the increase in absentee ballot filings.

Recommendation

We recommend that the county establish and implement procedures to ensure that all materials and supplies costs claimed are eligible for reimbursement.

**FINDING 3—
Unallowable indirect
cost rate**

The county overstated the indirect cost rates by \$6,130 for the period of July 1, 2001, through June 30, 2003.

For FY 2001-02, the county calculated the rate using budgeted salaries instead of actual salaries incurred and did not include part-time wages and overtime costs. For FY 2002-03, the county calculated the rate by excluding part-time wages and overtime costs.

The overstated indirect costs are summarized as follows:

	<u>Fiscal Year</u>		<u>Total</u>
	<u>2001-02</u>	<u>2002-03</u>	
Allowable indirect cost rate	59.96%	56.80%	
Claimed indirect cost rate	<u>(65.00)%</u>	<u>(61.90)%</u>	
Overstated indirect cost rate	<u>(5.04)%</u>	<u>(5.10)%</u>	
Allowable salaries and benefits	\$ 40,187	\$ 80,483	
Overstated indirect cost rate	<u>× (5.04)%</u>	<u>× (5.10)%</u>	
Audit adjustment	<u>\$ (2,025)</u>	<u>\$ (4,105)</u>	<u>\$ (6,130)</u>

Parameters and Guidelines for the Absentee Ballots Program allows reimbursement of actual increased costs incurred for making absentee ballots available to any registered voter.

Recommendation

We recommend that the county establish and implement procedures to ensure that indirect costs claimed are properly supported.

**FINDING 4—
Understated numbers
of absentee ballots
cast**

The county understated the number of absentee ballots cast for the audit period by a net total of 938 votes. The county used election reports that did not contain complete absentee voting information for the elections when preparing its claim.

Parameters and Guidelines allows reimbursement of actual increased costs incurred for making absentee ballots available to any registered voter. It states that, for auditing purposes, all costs claimed shall be traceable to source documents.

A summary of the understated number of absentee ballots cast is as follows:

	<u>Fiscal Year</u>			<u>Total</u>
	<u>1999-2000</u>	<u>2000-01</u>	<u>2002-03</u>	
Absentee ballots cast	<u>651</u>	<u>253</u>	<u>34</u>	<u>938</u>

Recommendation

We recommend that the county establish and implement procedures to ensure that all claimed costs are actual costs and that costs are properly supported.

**FINDING 5—
Understated offsetting
revenues**

The county did not reduce FY 2001-02 claimed costs of \$34,709 for costs it billed to local agencies for the November 2001 United District Election Law (UDEL) election. The costs consist of \$18,572 for absentee voting instruction envelopes and \$16,137 for postage.

Parameters and Guidelines states that, when county election officials provide election services to other local agencies and school districts, the cost of those services that are billed to local agencies and school districts pursuant to the UDEL election shall not be included in the county's reimbursement claim.

Recommendation

We recommend that the county establish and implement procedures to ensure that applicable offsetting revenues reduce claimed costs.

**State Controller's Office
Division of Audits
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<http://www.sco.ca.gov>