

# PLACER COUNTY

Audit Report

## ABSENTEE BALLOTS PROGRAM

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

*July 1, 2000, through June 30, 2002*



**STEVE WESTLY**  
California State Controller

April 2004



**STEVE WESTLY**  
California State Controller

April 14, 2004

The Honorable Katherine J. Martinis  
Auditor-Controller  
Placer County  
2970 Richardson Drive  
Auburn, CA 95603

Dear Ms. Martinis:

The State Controller's Office has completed an audit of the claims filed by Placer 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, 2000, through June 30, 2002.

The county claimed \$545,178 for the mandated program. Our audit disclosed that \$438,613 is allowable and \$106,565 is unallowable. The unallowable costs occurred primarily because the county claimed unsupported costs and overstated indirect costs. The county was paid \$336,813. Allowable costs claimed in excess of the amount paid, totaling \$101,800, will be paid by the State based on available appropriations.

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:ams

cc: (See page 2)

cc: James McCauley  
County Clerk-Recorder-Registrar of Voters  
Placer County  
Gloria Coutts  
Assistant County Clerk  
County Clerk-Recorder-Registrar's Office  
Placer County  
Laura Vizenor  
Administrative Services Officer  
County Clerk-Recorder-Registrar's Office  
Placer County  
Ryan Ronco  
Assistant Registrar of Voters  
Elections Department  
Placer 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) has completed an audit of the claims filed by Placer 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, 2000, through June 30, 2002. The last day of fieldwork was February 20, 2004.

The county claimed \$545,178 for the mandated program. The audit disclosed that \$438,613 is allowable and \$106,565 is unallowable. The unallowable costs occurred primarily because the county claimed unsupported costs and overstated indirect costs. The county was paid \$336,813. Allowable costs claimed in excess of the amount paid, totaling \$101,800, will be paid by the State based on available appropriations.

## Background

Chapter 77, Statutes of 1978, and Chapter 920, Statutes of 1994, required that absentee ballots be available to any registered voter without the prerequisite of certain conditions. Under prior law, absentee ballots were provided only when one of the following conditions was met: illness, absence from the precinct on the day of the election, physical handicap, conflicting religious commitments, or a voter's residence more than ten miles from his/her polling place.

On June 17, 1981, the State Board of Control (now the Commission on State Mandates) ruled that Chapter 77, Statutes of 1978, resulted in state-mandated costs that are reimbursable pursuant to *Government Code* Section 17561.

*Parameters and Guidelines*, adopted by the Commission on State Mandates on August 12, 1982 (and last amended on December 18, 1997), establishes state mandates and defines criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement to assist local agencies in claiming reimbursable costs.

## Objective, Scope, and Methodology

The audit objective was to determine whether costs claimed are increased costs incurred as a result of the legislatively mandated Absentee Ballots Program (Chapter 77, Statutes of 1978, and Chapter 920, Statutes of 1994) for the period of July 1, 2000, through June 30, 2002.

The auditors performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;

- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

The SCO conducted the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority provided for under *Government Code* Section 17558.5. The SCO did not audit the county's financial statements. The scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

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

## Conclusion

The 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, Placer County claimed \$545,178 for costs of the legislatively mandated Absentee Ballots Program. The audit disclosed that \$438,613 is allowable and \$106,565 is unallowable.

For fiscal year (FY) 2000-01, the county was paid \$170,790 by the State. The audit disclosed that \$241,488 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$70,698, will be paid by the State based on available appropriations.

For FY 2001-02, the county was paid \$166,023 by the State. The audit disclosed that \$197,125 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$31,102, will be paid by the State based on available appropriations.

## Views of Responsible Official

The audit results were discussed with the county's representative during an exit conference held on February 20, 2004. Laura Vizenor, Administrative Services Officer in the County Clerk-Recorder-Registrar's Office, agreed with the audit results. Ms. Vizenor further agreed that a draft audit report was not necessary and that the audit report could be issued as final.

**Restricted Use**

This report is solely for the information and use of Placer 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, 2000, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<b>July 1, 2000, through June 30, 2001</b>				
Salaries and benefits	\$ 58,251	\$ 52,742	\$ (5,509)	Finding 1
Services and supplies	<u>213,796</u>	<u>167,977</u>	<u>(45,819)</u>	Finding 1
Total direct costs	272,047	220,719	(51,328)	
Indirect costs	<u>94,394</u>	<u>68,638</u>	<u>(25,756)</u>	Finding 2
Total costs of absentee ballots cast	366,441	289,357	<u>\$ (77,084)</u>	
Divided by number of absentee ballots cast	<u>35,422</u>	<u>35,422</u>		
Cost per absentee ballot (rounded)	10.35	8.17		
Times number of reimbursable absentee ballots cast	<u>29,562</u>	<u>29,562</u>		
Total reimbursable costs	<u>\$ 305,815</u>	241,488	<u>\$ (64,327)</u>	
Less amount paid by the State		<u>(170,790)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 70,698</u>		
<b>July 1, 2001, through June 30, 2002</b>				
Salaries and benefits	\$ 50,433	\$ 32,315	\$ (18,118)	Finding 1
Services and supplies	<u>170,437</u>	<u>157,905</u>	<u>(12,532)</u>	Finding 1
Total direct costs	220,870	190,220	(30,650)	
Indirect costs	<u>65,946</u>	<u>42,656</u>	<u>(23,290)</u>	Finding 2
Total costs of absentee ballots cast	286,816	232,876	<u>(53,940)</u>	
Divided by number of absentee ballots cast	<u>35,422</u>	<u>22,883</u>		Finding 3
Cost per absentee ballot (rounded)	8.10	10.18		
Times number of reimbursable absentee ballots cast	<u>29,562</u>	<u>19,370</u>		Finding 3
Total reimbursable costs	<u>\$ 239,363</u>	197,125	<u>\$ (42,238)</u>	
Less amount paid by the State		<u>(166,023)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 31,102</u>		
<b>Summary: July 1, 2000, through June 30, 2002</b>				
Total reimbursable costs	<u>\$ 545,178</u>	\$ 438,613	<u>\$(106,565)</u>	
Less amount paid by the State		<u>(336,813)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 101,800</u>		

<sup>1</sup> See the Findings and Recommendations section.

# Findings and Recommendations

**FINDING 1—  
Unsupported costs  
claimed**

The county’s FY 2000-01 and FY 2001-02 claims were not supported by accounting records and differed from costs actually incurred. The differences included unallowable costs claimed and mathematical and other errors made by the county’s consultant who prepared the claims.

*Parameters and Guidelines* for the Absentee Ballots Program specifies that only actual increased costs incurred in the performance of the mandated activities and supported by appropriate documentation are reimbursable.

Claimed costs have been adjusted as follows:

	Fiscal Year		Total
	2000-01	2001-02	
Salaries and benefits	\$ (5,509)	\$ (18,118)	\$ (23,627)
Services and supplies	<u>(45,819)</u>	<u>(12,532)</u>	<u>(58,351)</u>
Audit adjustment	<u>\$ (51,328)</u>	<u>\$ (30,650)</u>	<u>\$ (81,978)</u>

**Recommendation**

The county should ensure that all costs claimed are eligible increased costs incurred as a result of the mandate, and are supported by its accounting records.

**FINDING 2—  
Indirect costs  
overclaimed**

The county overstated its indirect costs on its FY 2000-01 and FY 2001-02 claims. The county applied its computed indirect cost rates to claimed direct salaries (including permanent and part-time employees and overtime pay) and benefits. However, the county’s indirect cost rate computation did not include part-time employee salaries, overtime pay, or benefits in its indirect cost allocation base. As a result, the county’s indirect cost allocation base was understated by \$76,363 in FY 2000-01 and \$37,718 in FY 2001-02, and the indirect cost rate was overstated by 35.11% in FY 2000-01 and 8.5% in FY 2001-02.

*Parameters and Guidelines* states that indirect costs are eligible for reimbursement when allocated in accordance with the provisions of federal Office of Management and Budget (OMB) Circular A-87 (*Cost Principles for State, Local, and Indian Tribal Governments*). OMB Circular A-87, Attachment E, Part B.4., specifies that indirect costs must be distributed on the same basis as they were computed.

The SCO auditor recomputed the county’s allowable indirect rates and costs, and made the following adjustments to claimed costs:

	Fiscal Year		Total
	2000-01	2001-02	
Total allowable indirect costs	\$ 68,638	\$ 42,656	\$ 111,294
Less indirect costs claimed	<u>(94,394)</u>	<u>(65,946)</u>	<u>(160,340)</u>
Audit adjustment	<u>\$ (25,756)</u>	<u>\$ (23,290)</u>	<u>\$ (49,046)</u>

Recommendation

The county should ensure that indirect costs claimed are supported by an acceptable indirect cost rate proposal prepared in accordance with OMB Circular A-87.

**FINDING 3—  
Number of absentee  
ballots cast overstated**

In FY 2001-02, the county overstated the number of absentee ballots cast during the year by 12,539, resulting in the number of reimbursable absentee ballots being overstated by 10,192. This error had the effect of understating reimbursable costs for the fiscal year by \$3,419, because it increased the cost per absentee ballot cast. The understatement is incorporated in the computation of allowable costs in Schedule 1.

*Parameters and Guidelines* prescribes the formula the county is to use to compute the number of reimbursable absentee ballots and reimbursable costs.

Recommendation

In the future, the county should review the number of total ballots and absentee ballots cast included on its claims to ensure that reimbursable costs are computed correctly.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874**

**<http://www.sco.ca.gov>**