

# **LOS ANGELES COUNTY**

Audit Report

## **ABSENTEE BALLOTS PROGRAM**

Chapter 77, Statutes of 1978; Chapter 920, Statutes of 1994;  
and Chapter 1032, Statutes of 2002

*July 1, 2003, through June 30, 2007*



**JOHN CHIANG**  
California State Controller

June 2009



**JOHN CHIANG**  
**California State Controller**

June 30, 2009

Don Knabe, Chairman  
Board of Supervisors  
Los Angeles County  
500 West Temple Street  
Kenneth Hahn Hall of Administration  
Los Angeles, CA 90012

Dear Mr. Knabe:

The State Controller's Office audited the costs claimed by Los Angeles County for the legislatively mandated Absentee Ballots Program (Chapter 77, Statutes of 1978; Chapter 920, Statutes of 1994; and Chapter 1032, Statutes of 2002) for the period of July 1, 2003, through June 30, 2007.

The county claimed \$10,640,813 for the mandated program. Our audit disclosed that \$10,599,946 is allowable and \$40,867 is unallowable. The costs are unallowable because the county understated reimbursements. The State paid the county \$6,605,662. The State will pay allowable costs claimed that exceed the amount paid, totaling \$3,994,284, contingent upon available appropriations.

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

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/vb

cc: Dean C. Logan  
Registrar-Recorder/County Clerk  
Los Angeles County  
Wendy L. Watanabe  
Auditor-Controller  
Los Angeles County  
Todd Jerue, Program Budget Manager  
Corrections and General Government  
Department of Finance

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## **Audit Report**

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by Los Angeles County for the legislatively mandated Absentee Ballots Program (Chapter 77, Statutes of 1978; Chapter 920, Statutes of 1994; and Chapter 1032, Statutes of 2002) for the period of July 1, 2003, through June 30, 2007.

The county claimed \$10,640,813 for the mandated program. Our audit disclosed that \$10,599,946 is allowable and \$40,867 is unallowable. The costs are unallowable because the county understated reimbursements. The State paid the county \$6,605,662. The State will pay allowable costs claimed that exceed the amount paid, totaling \$3,994,284, contingent upon available appropriations.

## 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 mandated 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 [CSM]) 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.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. CSM adopted the parameters and guidelines on August 12, 1982, and last amended them 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, 2003, through June 30, 2007.

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

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the county's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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, Los Angeles County claimed \$10,640,813 for costs of the Absentee Ballots Program. Our audit disclosed that \$10,559,946 is allowable and \$40,867 is unallowable. The State paid the county \$6,605,662. The State will pay allowable costs claimed that exceed the amount paid, totaling \$3,994,284, contingent upon available appropriations.

## **Views of Responsible Official**

We issued a draft audit report on May 27, 2009. Wendy L. Watanabe, Auditor-Controller, responded by letter dated June 19, 2009 (Attachment), agreeing with the audit results. This final audit report includes the county's response.

## **Restricted Use**

This report is solely for the information and use of Los Angeles 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

June 30, 2009

**Schedule 1—  
Summary of Program Costs  
July 1, 2003, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits	\$ 1,492,145	\$ 1,492,145	\$ —	
Services and supplies	1,930,044	1,930,044	—	
Total direct costs	3,422,189	3,422,189	—	
Indirect costs	1,336,721	1,336,721	—	
Total direct and indirect costs	4,758,910	4,758,910	\$ —	
Number of absentee ballot cast	÷ 907,385	÷ 907,385		
Cost per absentee ballot cast	\$ 5.24	\$ 5.24		
Number of reimbursable absentee ballots	× 770,067	× 770,067		
Total cost of reimbursable absentee ballots	4,035,151	4,035,151	\$ —	
Less offsetting revenues	—	(40,867)	(40,867)	Finding 2
Total program costs	<u>\$ 4,035,151</u>	3,994,284	<u>\$ (40,867)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,994,284</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Salaries and benefits	\$ 1,139,891	\$ 1,139,891	\$ —	
Services and supplies	1,342,460	1,342,460	—	
Total direct costs	2,482,351	2,482,351	—	
Indirect costs	973,658	973,658	—	
Total direct and indirect costs	3,456,009	3,456,009	\$ —	
Number of absentee ballot cast	÷ 703,030	÷ 703,030		
Cost per absentee ballot cast	\$ 4.92	\$ 4.92		
Number of reimbursable absentee ballots	× 590,501	× 590,501		
Total program costs	<u>\$ 2,905,265</u>	2,905,265	<u>\$ —</u>	
Less amount paid by the State		(2,905,265)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Salaries and benefits	\$ 837,885	\$ 837,885	\$ —	
Services and supplies	832,402	832,402	—	
Total direct costs	1,670,287	1,670,287	—	
Indirect costs	647,558	647,558	—	
Total direct and indirect costs	2,317,845	2,317,845	\$ —	
Number of absentee ballot cast	÷ 331,513	÷ 331,513		
Cost per absentee ballot cast	\$ 6.99	\$ 6.99		
Number of reimbursable absentee ballots	× 291,645	× 291,645		
Total program costs	<u>\$ 2,038,599</u>	2,038,599	<u>\$ —</u>	
Less amount paid by the State		(2,038,599)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Salaries and benefits	\$ 1,038,753	\$ 1,048,411	\$ 9,658	Finding 1
Services and supplies	978,664	978,664	—	
Total direct costs	2,017,417	2,027,075	9,658	
Indirect costs	835,376	841,951	6,575	Finding 1
Total direct and indirect costs	2,852,793	2,869,026	<u>\$ 16,233</u>	
Number of absentee ballot cast	÷ 556,533	÷ 556,533		
Cost per absentee ballot cast	\$ 5.13	\$ 5.15518		
Number of reimbursable absentee ballots	× 480,436	× 480,436		
Total cost of reimbursable absentee ballots	2,464,637	2,476,734	\$ 12,097	
Less offsetting revenues	<u>(802,839)</u>	<u>(693,063)</u>	<u>109,776</u>	Finding 2
Subtotal	1,661,798	1,783,671	121,873	
Less allowable costs that exceed costs claimed <sup>2</sup>	—	<u>(121,873)</u>	<u>(121,873)</u>	
Total program costs	<u>\$ 1,661,798</u>	1,661,798	<u>\$ —</u>	
Less amount paid by the State		<u>(1,661,798)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>Summary: July 1, 2003, through June 30, 2007</u>				
Total cost of reimbursable absentee ballots	\$11,443,652	\$11,455,749	\$ 12,097	
Less offsetting revenues	<u>(802,839)</u>	<u>(733,930)</u>	<u>68,909</u>	
Subtotal	10,640,813	10,721,819	81,006	
Less allowable costs that exceed costs claimed <sup>2</sup>	—	<u>(121,873)</u>	<u>(121,873)</u>	
Total program costs	<u>\$10,640,813</u>	10,599,946	<u>\$ (40,867)</u>	
Less amount paid by the State		<u>(6,605,662)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,994,284</u>		

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

<sup>2</sup> Government Code section 17561 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2006-07.

# Findings and Recommendations

**FINDING 1—  
Understated salaries  
and benefits**

The county understated eligible salaries and benefits by \$9,658 for fiscal year (FY) 2006-07. The related indirect costs total \$6,575. The error was due to oversight.

The program’s parameters and guidelines state that actual costs for one fiscal year should be included in each claim.

Recommendation

We recommend that the county review its claims before filing them with the State.

County’s Response

The county agreed with the finding and recommendation.

**FINDING 2—  
Overstated offsetting  
revenues**

The county overstated offsetting revenues by \$68,909. The county did not report absentee ballot reimbursements billed to other agencies for FY 2003-04, and miscalculated the reimbursements for FY 2006-07.

The county billed local agencies a pro-rata share of costs incurred for the November 4, 2003 consolidated elections that included costs for processing absentee voter ballots but did not offset the revenues from the total claimed costs for this program. For FY 2006-07, the county offset the total absentee ballot revenue received rather than the absentee ballot revenue attributable to the number of reimbursable absentee ballots.

Local agencies calculate the number of reimbursable absentee ballots based on the total number of ballots cast and the number of absentee ballots cast during the claim year and during the period of January 1, 1975, through December 30, 1978.

The parameters and guidelines state that any offsetting savings the claimant experiences as a direct result of this statute must be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source shall be identified and deducted from this claim.

	Fiscal Year		Total
	2003-04	2006-07	
Absentee ballot offsetting revenues received	\$ (48,159)	\$ (802,839)	
Number of absentee ballots cast	÷ 907,385	÷ 556,533	
Offsetting revenue per absentee ballot cast	\$ (0.05307)	\$ (1.44257)	
Number of reimbursable absentee ballots	× 770,067	× 480,436	
Calculated offsetting revenues	\$ (40,867)	\$ (693,063)	
Claimed offsetting revenues	—	802,839	
Audit adjustment	\$ (40,867)	\$ 109,776	\$ 68,909

Recommendation

We recommend that the county offset its claims by the costs of reimbursable absentee ballots billed to other agencies.

County's Response

The county agreed with the finding and recommendation.

**Attachment—  
County’s Response to  
Draft Audit Report**

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**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS  
JOHN NAIMO  
JUDI E. THOMAS

June 19, 2009

Mr. Jeffrey V. Brownfield, Chief  
Division of Audits  
State Controller's Office  
300 Capitol Mall, Suite 518  
Sacramento, California 95814

Dear Mr. Brownfield:

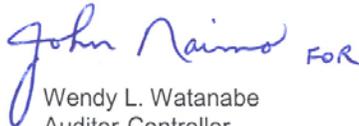
**LOS ANGELES COUNTY  
RESPONSE TO STATE CONTROLLER'S AUDIT REPORT  
ABSENTEE BALLOTS PROGRAM  
JULY 1, 2003 THROUGH JUNE 30, 2007**

The County of Los Angeles has reviewed the State's draft audit report dated May 27, 2009 for Absentee Ballots program, for the period July 1, 2003 through June 30, 2007. The draft audit report concluded that, of the \$10,640,813 claimed under Absentee Ballots, \$10,559,946 is allowable and \$40,867 is not allowable. Additionally, the draft report concluded that the County understated its fiscal year 2006-07 claim by \$109,776.

The County's response, which is attached, indicates agreement with the audit findings and the actions the County will take to implement policies and procedures to ensure that the costs claimed under Absentee Ballots are eligible and supported. We also recognize that if the County subsequently provides additional information to support its \$40,867 of unallowable costs, the State will revise the final audit report to include the additional allowable costs.

If you have any questions, please contact Hasmik Yaghobyan at (213) 893-0792 or via e-mail at [hyaghobyan@auditor.lacounty.gov](mailto:hyaghobyan@auditor.lacounty.gov).

Very truly yours,

  
Wendy L. Watanabe  
Auditor-Controller

WLW:JN:CY:hy  
H:\SB90\SB90\QSTclaim submission\Ch77\Audit Response 6-17-09.doc

Attachment

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**LOS ANGELES COUNTY  
RESPONSE TO STATE CONTROLLER'S AUDIT REPORT  
ABSENTEE BALLOTS PROGRAM  
JULY 1, 2003 THROUGH JUNE 30, 2007**

**Finding # 1- Understated Salaries and Benefits**

The County understated salaries and benefits by \$9,658 for fiscal year 2006-07. The related indirect costs totaled \$6,575.

*Recommendation*

We recommend the County establish and implement procedures to ensure that claimed costs are based on actual costs.

*County's Response*

We agree with the recommendation. The County will review and establish policies and procedures to ensure that the salaries and benefits costs claimed are based on actual costs.

**Finding # 2- Overstated Offsetting Revenue**

The County overstated offsetting revenues by \$68,909. The County did not report Absentee Ballot reimbursements billed to other agencies for fiscal year 2003-04, and also miscalculated its reimbursement claim for fiscal year 2006-07.

*Recommendation*

We recommend the County establish and implement policies and procedures to offset its claims by the costs of reimbursable Absentee Ballots activities billed to other agencies.

*County's Response*

We agree with the recommendation. The County will review and establish policies and procedures to ensure that its claims are offset by the costs of reimbursable Absentee Ballots activities billed to other agencies.

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