

ORANGE COUNTY

Audit Report

ABSENTEE BALLOTS PROGRAM

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

July 1, 2009, through June 30, 2011



BETTY T. YEE
California State Controller

October 2015



BETTY T. YEE
California State Controller

October 16, 2015

The Honorable Todd Spitzer, Chairman
Orange County Board of Supervisors
333 West Santa Ana Blvd.
Santa Ana, CA 92701

Dear Mr. Spitzer:

The State Controller's Office audited the costs claimed by Orange 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, 2009, through June 30, 2011.

The county claimed \$1,531,929 for the mandated program. Our audit found that the entire amount is allowable. The State made no payments to the county. The State will pay allowable costs claimed, totaling \$1,531,929, contingent upon available appropriations.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/lis

cc: The Honorable Eric H. Woolery, CPA
Auditor-Controller
Orange County
Neal Kelley, Registrar of Voters
Orange County
Evelyn Suess, Principal Program Budget Analyst
Mandates Unit, Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Orange 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, 2009, through June 30, 2011.

The county claimed \$1,531,929 for the mandated program. Our audit found that the entire amount is allowable. The State made no payments to the county. The State will pay allowable costs claimed, totaling \$1,531,929, contingent upon available appropriations.

Background

California 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 [Commission]) determined that Chapter 77, Statutes of 1978; Chapter 920, Statutes of 1994, and Chapter 1032, Statutes of 2002; impose a State mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the State mandate and define the reimbursement criteria. The Commission 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 to assist local agencies and school districts in claiming mandated program reimbursable costs. The program has been suspended by the Legislature beginning in fiscal year (FY) 2011-12.

Objectives, 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, 2009, through June 30, 2011.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the county's financial statements. We conducted this performance 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. Our audit scope did not assess the efficiency or effectiveness of program operations.

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.
- Tested transactions selected through auditor professional judgment for the relevant cost elements.

Conclusion

Our audit found 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, Orange County claimed \$1,531,929 for costs of the Absentee Ballots Program. Our audit found that the entire amount is allowable.

For the FY 2009-10 claim, the State made no payment to the county. Our audit found that \$793,286 is allowable. The State will pay allowable costs claimed, totaling \$793,286, contingent upon available appropriations.

For the FY 2010-11 claim, the State made no payment to the county. Our audit found that \$738,643 is allowable. The State will pay allowable costs claimed, totaling \$738,643, contingent upon available appropriations.

Views of Responsible Officials

We conducted an exit conference on May 14, 2015, and discussed our audit results with Neal Kelley, Registrar, and Joanna Kim, Senior Accountant Auditor. Subsequently, on August 24, 2015, we discussed the revised audit results with Mr. Kelley. On September 21, 2015, Mr. Kelley responded to a preliminary final audit report, agreeing with the audit results. This final report includes the county's response.

Restricted Use

This report is solely for the information and use of Orange 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, CPA
Chief, Division of Audits

October 16, 2015

**Schedule 1—
Summary of Program Costs
July 1, 2009, through June 30, 2011**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs:				
Salaries	\$ 134,463	\$ 134,463	\$ -	
Benefits	24,672	24,672	-	
Materials and supplies	455,548	455,548	-	
Contract services	48,554	48,554	-	
Total direct costs	663,237	663,237	-	
Indirect costs	194,145	194,145	-	
Total direct and indirect costs	857,382	857,382	-	
Less offsetting reimbursements	(18,279)	(8,360)	9,919	Finding
Subtotal	839,103	849,022	9,919	
Number of absentee ballots cast ²	÷ 354,362	÷ 354,211	(151)	
Cost per absentee ballot cast	2.37	2.40		
Number of reimbursable absentee ballots	× 334,720	× 334,576	(144)	
Subtotal	793,286	802,982	9,696	
Less allowable costs that exceed costs claimed	-	(9,696)	(9,696)	
Total program costs	\$ 793,286	793,286	\$ -	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		\$ 793,286		
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs:				
Salaries	\$ 167,876	\$ 167,876	\$ -	
Benefits	15,741	15,741	-	
Materials and supplies	411,271	411,271	-	
Contract services	29,351	29,351	-	
Total direct costs	624,239	624,239	-	
Indirect costs	279,098	279,098	-	
Total direct and indirect costs	903,337	903,337	-	
Less offsetting reimbursements	(112,263)	(68,219)	44,044	Finding
Subtotal	791,074	835,118	44,044	
Number of absentee ballots cast	÷ 466,157	÷ 466,157	-	
Cost per absentee ballot cast	1.70	1.79		
Number of reimbursable absentee ballots	× 434,496	× 434,496	-	
Subtotal	738,643	777,748	39,105	
Less allowable costs that exceed costs claimed	-	(39,105)	(39,105)	
Total program costs	\$ 738,643	738,643	\$ -	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		\$ 738,643		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2009, through June 30, 2011</u>				
Total program costs	\$ 1,531,929	\$ 1,531,929	\$ -	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		\$ 1,531,929		

¹ See the Finding and Recommendation section.

² We verified the number of ballots cast with the Secretary of State's website and noted a difference of 151 ballots.

Finding and Recommendation

FINDING— Overstated offsetting reimbursements

The county overstated offsetting reimbursements totaling \$53,963 for the audit period. Reimbursements were overstated because the county included a pro rata portion of reimbursements received related to polling place, and shared polling place and vote-by-mail processing costs.

The county grouped election costs into polling place, vote-by-mail, and shared costs. Based upon our review, we determined the county's cost allocations to be reasonable. Regarding offsetting reimbursements, the county received reimbursement from local entities for elections that it administered on behalf of the local entity. The county applied the reimbursements toward costs that were related to the other election processes, not specific to the vote-by-mail process. Therefore, we allocated the portion of election costs reimbursement related to the vote-by-mail process consistent with the county's cost allocation, and identified this amount as an offset.

The following table summarizes the overstated offsetting reimbursements:

	Claimed Amount	Amount Allowed	Audit Adjustment
FY 2009-10	\$ (18,279)	\$ (8,360)	\$ 9,919
FY 2010-11	(112,263)	(68,219)	44,044
Total	<u>\$ (130,542)</u>	<u>\$ (76,579)</u>	<u>\$ 53,963</u>

The parameters and guidelines (section VII. Offsetting Savings and Reimbursements) require claimants to report offsetting reimbursements. The parameters and guidelines state:

. . . reimbursement for this mandate from any source, including but not limited to, services fees collected, federal funds, and other state funds, shall be identified and deducted from this claim.

Recommendation

The Absentee Ballots Program was suspended in the FY 2011-12 through FY 2014-15 Budget Acts. If the program becomes active, we recommend that the county identify offsetting reimbursements related to mandated costs.

**Attachment—
County’s Response to
Preliminary Final Audit Report**



NEAL A. KELLEY
Registrar of Voters

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Santa Ana, California 92711

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September 21, 2015

Jeffrey V. Brownfield, CPA
Chief, Division of Audits
State Controller's Office
PO Box 942850
Sacramento, CA 94250-5874

Dear Mr. Brownfield:

Thank you for the opportunity to submit a response to the September 2015 Audit Report for the Orange County Absentee Ballots Program.

After a thorough review of the report and findings, I am in agreement with the findings that (1) the entire amount of \$1,531,929 claimed for costs of the mandated program is allowable and, (2) the offsetting reimbursement included in the claim was overstated by \$53,963.

If you have any questions, please contact me at (714) 567-5139 or neal.kelley@rov.ocgov.com.

Sincerely,

Neal Kelley
Orange County, Registrar of Voters

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