CONTRA COSTA COUNTY

Audit Report

ABSENTEE BALLOTS PROGRAM

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

July 1, 1999, through June 30, 2002

STEVE WESTLY
California State Controller

March 2005

March 30, 2005

The Honorable Stephen Ybarra
Auditor-Controller
Contra Costa County
625 Court Street, Room 103
Martinez, CA 94553-1282

Dear Mr. Ybarra:

The State Controller's Office audited the claims filed by Contra Costa 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, 2002.

The county claimed $823,279 ($824,279 less a $1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that $780,956 is allowable and $42,323 is unallowable. The unallowable costs occurred primarily because the county understated revenue offsets. The State paid the county $445,133. Allowable costs claimed exceed the amount paid by $335,823.

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/ams

cc: Stephen L. Weir
    County Clerk
    Contra Costa County
  Paul Abelson
    SB 90 Coordinator
    Auditor-Controller's Office
    Contra Costa County
  James Tilton, Program Budget Manager
    Corrections and General Government
    Department of Finance

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Summary

The State Controller's Office (SCO) audited the claims filed by Contra Costa 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, 2002. The last day of fieldwork was August 20, 2004.

The county claimed $823,279 ($824,279 less a $1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that $780,956 is allowable and $42,323 is unallowable. The unallowable costs occurred primarily because the county understated revenue offsets. The State paid the county $445,133. Allowable costs claimed exceed the amount paid by $335,823.

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 [COSM]) determined that Chapter 77, Statutes of 1978, 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, 2002.

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, Contra Costa County claimed $823,279 ($824,279 less a $1,000 penalty for filing a late claim) for Absentee Ballots Program costs. Our audit disclosed that $780,956 is allowable and $42,323 is unallowable.

For fiscal year (FY) 1999-2000, the State paid the county $196,098. The audit disclosed that the entire amount is allowable.

For FY 2000-01, the State made no payments to the county. The audit disclosed that $336,778 is allowable. The State will pay that amount, contingent upon available appropriations.

For FY 2001-02, the State paid the county $249,035. The audit disclosed that $248,080 is allowable. The county should return $955 to the State.

Views of Responsible Official

We issued a draft audit report on February 4, 2005. In a telephone conversation on February 23, 2005, Paul Abelson, SB 90 Coordinator in the county Auditor-Controller's Office, stated that the county agreed with the audit results.

Restricted Use

This report is solely for the information and use of Contra Costa 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, 2002

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference [1]
July 1, 1999, through June 30, 2000				
Salaries	$ 40,714	$ 40,714	$ —	
Benefits	7,466	7,466	—	
Services and supplies	109,541	129,943	20,402	Finding 1
Total direct costs	157,721	178,123	20,402	
Indirect costs	75,642	75,642	—	
Total cost of absentee ballots	233,363	253,765	$ 20,402	
Number of absentee ballots cast	÷ 78,947	÷ 78,947		
Cost per absentee ballot cast	$2.96	$3.21		
Number of reimbursable absentee ballots	× 66,587	× 66,587		
Total cost of reimbursable absentee ballots	197,098	213,744	$ 16,646	
Less offsetting revenues	—	(995)	(995)	Finding 2
Net cost of reimbursable absentee ballots	197,098	212,749	15,651	
Less late filing penalty	(1,000)	(1,000)	—	
Subtotal	196,098	211,749	15,651	
Less allowable costs in excess of costs claimed [2]	—	(15,651)	(15,651)	
Total reimbursable costs	$ 196,098	196,098	$ —	
Less amount paid by the State		(196,098)		
Allowable costs claimed in excess of (less than) amount paid		$ —		
July 1, 2000, through June 30, 2001				
Salaries	$ 82,277	$ 82,277	$ —	
Benefits	16,678	16,678	—	
Services and supplies	164,551	215,942	51,391	Finding 1
Total direct costs	263,506	314,897	51,391	
Indirect costs	182,077	182,077	—	
Total cost of absentee ballots	445,583	496,974	$ 51,391	
Number of absentee ballots cast	÷ 108,638	÷ 108,638		
Cost per absentee ballot cast	$4.10	$4.57		
Number of reimbursable absentee ballots	× 91,450	× 91,450		
Total cost of reimbursable absentee ballots	374,945	417,927	$ 42,982	
Less offsetting revenues	—	(81,149)	(81,149)	Finding 2
Net cost of reimbursable absentee ballots	374,945	336,778	(38,167)	
Less late filing penalty	—	—	—	
Subtotal	374,945	336,778	(38,167)	
Less allowable costs in excess of costs claimed [2]	—	—	—	
Total reimbursable costs	$ 374,945	336,778	$ (38,167)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		$ 336,778		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference [1]
July 1, 2001, through June 30, 2002				
Salaries	$ 48,566	$ 48,566	$ —	
Benefits	9,641	9,641	—	
Services and supplies	112,939	137,672	24,733	Finding 1
Total direct costs	171,146	195,879	24,733	
Indirect costs	126,309	126,309	—	
Total cost of absentee ballots	297,455	322,188	$ 24,733	
Number of absentee ballots cast	÷ 55,183	÷ 55,183		
Cost per absentee ballot cast	$5.39	$5.84		
Number of reimbursable absentee ballots	× 46,797	× 46,797		
Total cost of reimbursable absentee ballots	252,236	273,294	$ 21,058	
Less offsetting revenues	—	(25,214)	(25,214)	Finding 2
Net cost of reimbursable absentee ballots	252,236	248,080	(4,156)	
Less late filing penalty	—	—	—	
Subtotal	252,236	248,080	(4,156)	
Less allowable costs in excess of costs claimed [2]	—	—	—	
Total reimbursable costs	$ 252,236	248,080	$ (4,156)	
Less amount paid by the State		(249,035)		
Allowable costs claimed in excess of (less than) amount paid		$ (955)		
Summary: July 1, 1999, through June 30, 2002				
Total cost of reimbursable absentee ballots	$ 824,279	$ 904,965	$ 80,686	
Less offsetting revenues	—	(107,358)	(107,358)	
Net cost of reimbursable absentee ballots	824,279	797,607	(26,672)	
Less late filing penalty	(1,000)	(1,000)	—	
Subtotal	823,279	796,607	(26,672)	
Less allowable costs in excess of costs claimed [2]	—	(15,651)	(15,651)	
Total reimbursable costs	$ 823,279	780,956	$ (42,323)	
Less amount paid by the State		(445,133)		
Allowable costs claimed in excess of (less than) amount paid		$ 335,823		

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[1]   See the Findings and Recommendations section.

[2]   *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.

Findings and Recommendations

FINDING 1—
Services and supplies
costs underclaimed

The county understated its services and supplies costs claimed for absentee ballots. For fiscal year (FY) 1999-2000 through FY 2001-02, the county made a mathematical error in computing its absentee ballot printing costs. The county computed a unit cost per ballot printed, but applied it to the number of estimated absentee ballot voters when calculating reimbursable ballot printing costs. The county should have computed a unit cost per registered voter and applied it to the number of estimated absentee ballot voters.

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.

As a result, we have adjusted claimed services and supplies costs as follows:

	Fiscal Year			
	1999-2000	2000-01	2001-02	Total
Services and supplies	$ 20,402	$ 51,391	$ 24,733	$ 96,526

Recommendation

We recommend the county 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—
Revenue offsets not
claimed

The county held elections on behalf of cities, special districts, and school districts. The costs of these election services were billed to and reimbursed by these agencies. However, the county failed to deduct these reimbursements from its claims.

Parameters and Guidelines specifies that any offsetting savings or reimbursements received as a result of the mandate must be deducted from the claim.

As a result, we have adjusted claimed costs as follows:

	Fiscal Year			
	1999-2000	2000-01	2001-02	Total
Offsetting revenues	$ (995)	$ (81,149)	$ (25,214)	$(107,358)

Recommendation

We recommend the county ensure that all applicable reimbursements received are offset against costs claimed.

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