

CITY OF LONG BEACH

Audit Report

ABSENTEE BALLOTS PROGRAM

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

July 1, 2001, through June 30, 2002



STEVE WESTLY
California State Controller

February 2005



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California State Controller

February 18, 2005

James D. Sadro, Treasurer
City of Long Beach
333 W. Ocean Boulevard, 6th Floor
Long Beach, CA 90802

Dear Mr. Sadro:

The State Controller's Office audited the claim filed by the City of Long Beach for costs of 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, 2001, through June 30, 2002.

The city claimed \$226,515 for the mandated program. Our audit disclosed that \$210,498 is allowable and \$16,017 is unallowable. The unallowable costs occurred because the city overstated services and supplies costs and overstated its indirect cost rate. The State made no payment to the city. The State will pay the allowable costs of \$210,498 contingent upon 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:JVB/ams

cc: Larry Herrera
City Clerk
City of Long Beach
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 claim filed by the City of Long Beach for costs of 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, 2001, through June 30, 2002. The last day of fieldwork was July 19, 2004.

The city claimed \$226,515 for the mandated program. The audit disclosed that \$201,498 is allowable and \$16,017 is unallowable. The unallowable costs occurred because the city overstated services and supplies costs and overstated its indirect cost rate. The State made no payment to the city. The State will pay the allowable costs of \$210,498 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 the 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; 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 the *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, 2001, 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 city'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 city'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, the City of Long Beach claimed \$226,515 for costs of the Absentee Ballots Program. Our audit disclosed that \$210,498 is allowable and \$16,017 is unallowable.

For fiscal year (FY) 2001-02, the State made no payment to the city. Our audit disclosed that \$210,498 is allowable, which the State will pay contingent upon available appropriations.

**Views of
Responsible
Officials**

We discussed our audit results with the city's representatives during an exit conference conducted on July 19, 2004. Larry Herrera, City Clerk; Rebecca Burlison, Chief Deputy City Clerk; and Monique De La Garza, Administrative Analyst, agreed with the audit results. Ms. De La Garza, by e-mail on October 25, 2004, declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of the City of Long Beach, 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, 2001, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
Salaries	\$ 65,929	\$ 65,929	\$ —	
Benefits	9,314	9,314	—	
Services and supplies	<u>219,660</u>	<u>204,212</u>	<u>(15,448)</u>	Finding 1
Subtotal	294,903	279,455	(15,448)	
Indirect costs	<u>38,832</u>	<u>37,085</u>	<u>(1,747)</u>	Finding 2
Total cost of absentee ballots	333,735	316,540	<u>\$ (17,195)</u>	
Number of absentee ballots cast	<u>÷ 38,969</u>	<u>÷ 38,969</u>		
Cost per absentee ballot cast	\$ 8.56	\$ 8.12		
Number of reimbursable absentee ballots	<u>× 36,074</u>	<u>× 36,074</u>		
Total cost of reimbursable absentee ballots	308,938	292,921		
Less reimbursements	<u>(82,423)</u>	<u>(82,423)</u>		
Amount claimed	<u>\$ 226,515</u>	210,498	<u>\$ (16,017)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 210,498</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Overstated services
and supplies**

The city overstated services and supplies costs by \$15,448 for the audit period. A summary of unallowable costs is as follows:

	FY 2001-02
Salaries and supplies:	
Civic Center Complex	\$ (12,728)
Information services	(2,720)
Audit adjustment	\$ (15,448)

The city included both the costs of rent at the Civic Center Complex and information services as direct charges to the mandated program. However, these costs were already included in the city’s indirect cost rate calculation. Both items are overhead-related and should be included as indirect costs, not as direct costs for mandated activities.

Parameters and Guidelines allows reimbursement of only actual increased costs incurred for making absentee ballots available to any registered voter and states that all costs claimed must be traceable and supported by source documents that show the validity of such costs.

Recommendation

The city should establish and implement procedures to ensure that all claimed costs are properly supported.

**FINDING 2—
Overstated indirect
costs**

The city overstated indirect costs by \$1,747 for the audit period. The city claimed an indirect cost rate of 58.90% rather than 56.25%, a difference of 2.65%, because it included costs that were already claimed as direct charges to the mandated program. The overstated indirect costs are summarized as follows:

	FY 2001-02
Allowable indirect cost rate	56.25%
Less claimed indirect cost rate	(58.90)%
Overstated indirect cost rate	(2.65)%
Allowable salaries and benefits	× \$65,929
Audit adjustment	\$ (1,747)

Parameters and Guidelines allows reimbursement of only actual increased costs incurred for making absentee ballots available to any registered voter and states that all costs claimed must be traceable and supported by source documents that show the validity of such costs.

Recommendation

The city should establish and implement procedures to ensure that all claimed costs are properly supported.

**State Controller's Office
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