

LOS ANGELES 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

November 2003



STEVE WESTLY
California State Controller

November 21, 2003

Mr. J. Tyler McCauley
Auditor-Controller
Los Angeles County
500 West Temple Street, Room 603
Los Angeles, CA 90012

Dear Mr. McCauley:

The State Controller's Office (SCO) has completed an audit of the claims filed by Los Angeles 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 \$5,390,669 for the mandated program. Our audit disclosed that \$5,322,277 is allowable and \$68,392 is unallowable. The unallowable costs occurred because the county claimed unsupported costs for services and supplies. The county was paid \$4,385,145. Allowable costs claimed in excess of the amount paid total \$937,132.

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

Sincerely,

Original Signed By:

WALTER BARNES
Chief Deputy Controller, Finance

WB:jj

cc: Conny B. McCormack
Registrar-Recorder/County Clerk
Los Angeles County
Calvin Smith, Program Budget Manager
Corrections and General Government
Department of Finance

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	1
Conclusion	2
Views of Responsible Officials	2
Restricted Use	3
Schedule 1—Summary of Program Costs.....	4
Finding and Recommendation	6
Attachment—County’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) has completed an audit of the claims filed by Los Angeles 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 May 19, 2003.

The county claimed \$5,390,669 for the mandated program. The audit disclosed that \$5,322,277 is allowable and \$68,392 is unallowable. The unallowable costs occurred because the county claimed unsupported costs for services and supplies. The county was paid \$4,385,145. Allowable costs claimed in excess of the amount paid total \$937,132.

Background

The State of California enacted Chapter 77 in 1978 and Chapter 920 in 1994, which require that absentee ballots be available to any registered voter without conditions. Under prior law, absentee ballots were provided only when the voter met one of the following conditions: illness, absence from precinct on day of election, physical handicap, conflicting religious commitments, or a residence more than ten miles from the polling place.

On June 17, 1981, the Board of Control, predecessor agency to the Commission on State Mandates, ruled that the legislation imposed a state mandate upon local agencies reimbursable under *Government Code* Section 17561. The increased level of service required by this mandate is reimbursable.

Parameters and Guidelines, adopted by the Commission on State Mandates, establishes the state mandate 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 school districts and 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, 1999, 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. 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 management 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 an instance of noncompliance with the requirements outlined above. This instance is described in the Finding and Recommendation section of this report and in the accompanying Summary of Program Costs (Schedule 1).

For the audit period, Los Angeles County claimed \$5,390,669 for costs of the legislatively mandated Absentee Ballots Program. The audit disclosed that \$5,322,277 is allowable and \$68,392 is unallowable.

For fiscal year (FY) 1999-2000, the county was paid \$1,380,022 by the State. The audit disclosed that \$1,380,022 is allowable.

For FY 2000-01, the county was paid \$1,280,924 by the State. The audit disclosed that \$2,286,448 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$1,005,524, will be paid by the State based on available appropriations.

For FY 2001-02, the county was paid \$1,724,199 by the State. The audit disclosed that \$1,655,807 is allowable. The amount paid in excess of allowable costs claimed, totaling \$68,392, should be returned to the State.

Views of Responsible Officials

The SCO issued a draft audit report on June 25, 2003. J. Tyler McCauley, Auditor-Controller, responded by letter dated July 21, 2003, agreeing with the audit results. The county's response is included as the attachment in this final audit report.

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

**Schedule 1—
Summary of Program Costs
July 1, 1999, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments
<u>July 1, 1999, through June 30, 2000</u>			
Salaries	\$ 605,355	\$ 605,355	\$ —
Benefits	110,387	110,387	—
Services and supplies	<u>561,002</u>	<u>561,002</u>	<u>—</u>
Subtotals	1,276,744	1,276,744	<u>\$ —</u>
Indirect costs	<u>471,087</u>	<u>471,087</u>	
Total costs of absentee ballots cast	1,747,831	1,747,831	
Number of absentee ballots cast	<u>÷ 316,882</u>	<u>÷ 316,882</u>	
Cost per absentee ballot	5.52	5.52	
Number of additional absentee ballot filings	<u>x 250,004</u>	<u>x 250,004</u>	
Total cost of additional absentee ballot filings	1,380,022	1,380,022	\$ —
Offsetting savings/reimbursements	<u>—</u>	<u>—</u>	<u>—</u>
Total costs	<u>\$ 1,380,022</u>	1,380,022	<u>\$ —</u>
Amount paid by the State		<u>(1,380,022)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Salaries	\$ 766,933	\$ 766,933	\$ —
Benefits	136,710	136,710	—
Services and supplies	<u>1,123,624</u>	<u>1,123,624</u>	<u>—</u>
Subtotals	2,027,267	2,027,267	<u>\$ —</u>
Indirect costs	<u>781,045</u>	<u>781,045</u>	
Total costs of absentee ballots cast	2,808,312	2,808,312	
Number of absentee ballots cast	<u>÷ 543,143</u>	<u>÷ 543,143</u>	
Cost per absentee ballot	5.17	5.17	
Number of additional absentee ballot filings	<u>x 442,253</u>	<u>x 442,253</u>	
Total cost of additional absentee ballot filings	2,286,448	2,286,448	\$ —
Offsetting savings/reimbursements	<u>—</u>	<u>—</u>	<u>—</u>
Total costs	<u>\$ 2,286,448</u>	2,286,448	<u>\$ —</u>
Amount paid by the State		<u>(1,280,924)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,005,524</u>	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments
<u>July 1, 2001, through June 30, 2002</u>			
Salaries	\$ 600,402	\$ 600,402	\$ —
Benefits	129,615	129,615	—
Services and supplies ¹	<u>720,589</u>	<u>636,662</u>	<u>(83,927)</u>
Subtotals	1,450,606	1,366,679	(83,927)
Indirect costs	<u>647,834</u>	<u>647,834</u>	—
Total costs of absentee ballots cast	2,098,440	2,014,513	<u>\$ (83,927)</u>
Number of absentee ballots cast	÷ 218,976	÷ 218,976	
Cost per absentee ballot	9.58	9.20	
Number of additional absentee ballot filings	<u>x 179,979</u>	<u>x 179,979</u>	
Total cost of additional absentee ballot filings	1,724,199	1,655,807	\$ (68,392)
Offsetting savings/reimbursements	<u>—</u>	<u>—</u>	<u>—</u>
Total costs	<u>\$ 1,724,199</u>	1,655,807	<u>\$ (68,392)</u>
Amount paid by the State		<u>(1,724,199)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (68,392)</u>	
<u>Summary: July 1, 1999, through June 30, 2002</u>			
Total cost of additional absentee ballot filings	\$ 5,390,669	\$ 5,322,277	\$ (68,392)
Offsetting savings/reimbursements	<u>—</u>	<u>—</u>	<u>—</u>
Total costs	<u>\$ 5,390,669</u>	5,322,277	<u>\$ (68,392)</u>
Amount paid by the State		<u>(4,385,145)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 937,132</u>	

¹ See the Finding and Recommendation section.

Finding and Recommendation

**FINDING—
Unsupported cost
for services and
supplies**

For fiscal year (FY) 2001-02, the county claimed \$720,589 in services and supplies, but was able to support only \$636,662, an overstatement of \$83,927. Including the claimed amount in the formula to calculate the total costs of additional absentee ballot filings resulted in an overstatement of \$68,392, as shown in Schedule 1.

The error occurred because the county claimed for the processing of absentee voter ballots an original invoice amount of \$334,018 (which was the most current data available at the time the claim was prepared) instead of the revised amount of \$250,091.

Parameters and Guidelines, Guidelines for Claim Preparation, Section 1. Description of Activity, states, “Copies of invoices, time records, and other documents necessary to support the costs included in this claim should be retained by the claimant for audit purposes. . . .”

Parameters and Guidelines, Guidelines for Claim Preparation, Section 3. Services and Supplies, states, “Only expenditures which can be identified as direct costs as a result of the mandate can be claimed. . . .”

Recommendation

The county should develop and implement an adequate accounting system to ensure that all claimed costs are eligible and properly supported.

Auditee’s Response

The county concurs with the finding.

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



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

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

J. TYLER McCAULEY
AUDITOR-CONTROLLER

July 21, 2003

Mr. Jim L. Spano, Chief
Compliance Audits Bureau
Division of Audits
State Controller's Office
Post Office Box 942850
Sacramento, California 94250-5874

Dear Mr. Spano:

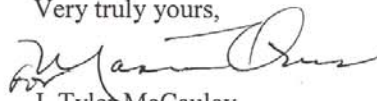
**County of Los Angeles Comments
State Controller's Office [SCO] Draft Audit Report
Absentee Ballots Program
July 1, 1999 through June 30, 2002**

We have reviewed SCO's Absentee Ballots Program draft audit report and concur with the result finding that, of the \$5,390,669 of claimed costs, "\$5,322,277 is allowable and \$68,392 is unallowable".

In accordance with your recommendation, Registrar-Recorder/County Clerk staff have modified their accounting procedures to ensure that claims reflect cost reductions occurring after, as well as before, a claim is filed.

Leonard Kaye of my staff is available at (213) 974-8564 to answer questions you may have concerning this matter.

Very truly yours,


J. Tyler McCauley
Auditor-Controller

cc: Conny B. McCormack,
Registrar-Recorder/County Clerk
Los Angeles County

JTM:JN:LK

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

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