

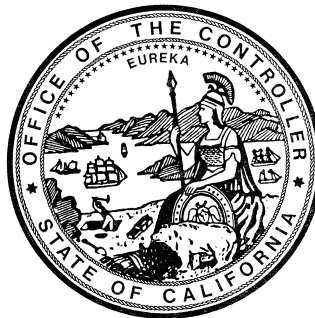
MARIN COUNTY

Audit Report

ABSENTEE BALLOTS PROGRAM

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

July 1, 2000, through June 30, 2002



STEVE WESTLY
California State Controller

May 2005



STEVE WESTLY
California State Controller

May 6, 2005

The Honorable Richard S. Arrow
Auditor-Controller
Marin County
3501 Civic Center Drive, Room 225
San Rafael, CA 94903

Dear Mr. Arrow:

The State Controller's Office audited the claims filed by Marin 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, 2000, through June 30, 2002.

The county claimed \$554,773 for the mandated program. Our audit disclosed that \$415,477 is allowable and \$139,296 is unallowable. The unallowable costs occurred primarily because the county claimed unsupported costs. The State paid the county \$168,407. Allowable costs claimed exceed the amount paid by \$247,070.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site at www.csm.ca.gov (Guidebook link), and obtain IRC forms by telephone at (916) 323-3562 or by e-mail at csminfo@csm.ca.gov.

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: Michael J. Smith
County Clerk-Registrar of Voters
Marin County
Madelyn De Justo
Assistant County Clerk/Deputy Registrar
Marin County
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 claims filed by Marin 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, 2000, through June 30, 2002. The last day of fieldwork was January 26, 2005.

The county claimed \$554,773 for the mandated program. Our audit disclosed that \$415,477 is allowable and \$139,296 is unallowable. The unallowable costs occurred primarily because the county claimed unsupported costs. The State paid the county \$168,407. Allowable costs claimed exceed the amount paid by \$247,070.

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 Absentee Ballots mandated 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 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, 2000, 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. Our scope was limited 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

The 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, Marin County claimed \$554,773 for costs of the Absentee Ballots Program. Our audit disclosed that \$415,477 is allowable and \$139,296 is unallowable.

For fiscal year (FY) 2000-01, the State paid the county \$85,395. Our audit disclosed that \$196,403 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$111,008, contingent upon available appropriations.

For FY 2001-02, the State paid the county \$83,012. Our audit disclosed that \$219,074 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$136,062, contingent upon available appropriations.

Views of Responsible Official

We issued a draft audit report on October 28, 2004. Subsequent to that date, the county provided further documentation that we determined supported an additional \$221,092 of claimed costs, reducing our audit adjustments from \$360,378 to \$139,296. At a follow-up exit conference on January 26, 2005, Danny Briones, Accounting Manager in the county Auditor-Controller's Office, agreed with the updated audit results.

Restricted Use

This report is solely for the information and use of Marin 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, 2000, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2000, through June 30, 2001</u>				
Salaries	\$ 161,991	\$ 120,600	\$ (41,391)	Finding 1
Benefits	23,786	17,708	(6,078)	Finding 1
Services and supplies	145,721	119,908	(25,813)	Finding 2
Total direct costs	331,498	258,216	(73,282)	
Indirect costs	16,199	12,060	(4,139)	Finding 1
Total cost of absentee ballots	347,697	270,276	\$ (77,421)	
Number of absentee ballots cast	÷ 57,244	÷ 54,597		Finding 3
Cost per absentee ballot cast	\$ 6.07	\$ 4.95		
Number of reimbursable absentee ballots	× 46,804	× 42,342		Finding 3
Total cost of reimbursable absentee ballots	284,287	209,609	\$ (74,678)	
Less offsetting revenues	(13,206)	(13,206)	—	
Net cost of reimbursable absentee ballots	\$ 271,081	196,403	\$ (74,678)	
Less amount paid by the State		(85,395)		
Allowable costs claimed in excess of (less than) amount paid		\$ 111,008		
<u>July 1, 2001, through June 30, 2002</u>				
Salaries	\$ 115,850	\$ 86,249	\$ (29,601)	Finding 1
Benefits	15,216	11,328	(3,888)	Finding 1
Services and supplies	220,121	221,378	1,257	Finding 2
Total direct costs	351,187	318,955	(32,232)	
Indirect costs	39,157	29,152	(10,005)	Finding 1
Total cost of absentee ballots	390,344	348,107	\$ (42,237)	
Number of absentee ballots cast	÷ 44,690	÷ 41,078		Finding 3
Cost per absentee ballot cast	\$ 8.73	\$ 8.47		
Number of reimbursable absentee ballots	× 40,310	× 33,922		Finding 3
Total cost of reimbursable absentee ballots	352,083	287,465	\$ (64,618)	
Less offsetting revenues	(68,391)	(68,391)	—	
Net cost of reimbursable absentee ballots	\$ 283,692	219,074	\$ (64,618)	
Less amount paid by the State		(83,012)		
Allowable costs claimed in excess of (less than) amount paid		\$ 136,062		

Schedule 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u>	<u>Reference</u> ¹
<u>Summary: July 1, 2000, through June 30, 2002</u>				
Total cost of reimbursable absentee ballots	\$ 636,370	\$ 497,074	\$ (139,296)	
Less offsetting revenues	<u>(81,597)</u>	<u>(81,597)</u>	<u>—</u>	
Net cost of reimbursable absentee ballots	<u>\$ 554,773</u>	415,477	<u>\$ (139,296)</u>	
Less amount paid by the State		<u>(168,407)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 247,070</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Overstated salaries,
benefits, and related
indirect costs**

The county overstated salaries, fringe benefits, and related indirect costs claimed by \$95,102. The county did not maintain time distribution records that showed the actual time spent by each employee involved in the mandated absentee ballot activities during the audit period.

Based on actual hours incurred for current elections, the county was able to support 74.45% of the hours claimed. The overstated amount of \$95,102 represents the difference in costs between actual hours incurred and hours claimed. As a result, claimed costs have been adjusted as follows.

	Fiscal Year		Total
	2000-01	2001-02	
Salaries	\$ (41,391)	\$ (29,601)	\$ (70,992)
Benefits	(6,078)	(3,888)	(9,966)
Indirect costs	(4,139)	(10,005)	(14,144)
Audit adjustment	<u>\$ (51,608)</u>	<u>\$ (43,494)</u>	<u>\$ (95,102)</u>

Parameters and Guidelines for the Absentee Ballots Program specifies that only actual increased costs incurred in the performance of the mandated activities are reimbursable.

Recommendation

We recommend the county ensure that all costs claimed are eligible costs incurred as a result of the mandate and are supported by proper accounting records.

**FINDING 2—
Unallowable services
and supplies costs
claimed**

The county claimed \$24,556 in services and supplies costs that were not supported by its accounting records and differed from actual costs incurred. The differences resulted from mathematical and other errors made by the county’s consultant who prepared its claims.

Parameters and Guidelines specifies that only actual increased costs incurred in the performance of the mandated activities and supported by appropriate documentation are reimbursable.

As a result, services and supplies costs claimed have been adjusted as follows.

	Fiscal Year		Total
	2000-01	2001-02	
Services and supplies	<u>\$ (25,813)</u>	<u>\$ 1,257</u>	<u>\$ (24,556)</u>

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 3—
Number of ballots
misstated**

The county misstated the number of total ballots cast and the number of absentee ballots cast for fiscal year (FY) 2000-01 and FY 2001-02, due to addition errors.

For FY 2000-01, the county understated the number of total ballots cast by 28,700, and overstated the number of absentee ballots cast by 2,647, resulting in the number of reimbursable absentee ballots being overstated by 4,462. This error had the effect of overstating reimbursable costs for the fiscal year by \$14,569.

For FY 2001-02, the county understated the number of total ballots cast by 43,896, and overstated the number of absentee ballots cast by 3,612, resulting in the number of reimbursable absentee ballots being overstated by 6,388. This error had the effect of overstating reimbursable costs for the fiscal year by \$29,824.

The overstatements of reimbursable costs are incorporated in the computation of allowable costs in Schedule 1.

Parameters and Guidelines prescribes the formula the county is to use to compute the number of reimbursable absentee ballots and reimbursable costs.

Recommendation

We recommend the county review the number of total ballots and absentee ballots cast included in its claims, to ensure reimbursable costs are computed correctly.

**State Controller's Office
Division of Audits
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