

SAN BERNARDINO COUNTY

Audit Report

ABSENTEE BALLOTS PROGRAM

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

July 1, 2002, through June 30, 2005



JOHN CHIANG
California State Controller

June 2008



JOHN CHIANG
California State Controller

June 30, 2008

The Honorable Paul Blane, Chairman
Board of Supervisors
San Bernardino County
385 N. Arrowhead Avenue, 5th Floor
San Bernardino, CA 92415-0110

Dear Mr. Blane:

The State Controller's Office audited the costs claimed by San Bernardino 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, 2002, through June 30, 2005.

The county claimed \$1,050,511 (\$1,051,511 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$943,502 is allowable and \$107,009 is unallowable. The unallowable costs resulted because the county overstated salaries and benefits costs, services and supplies costs, and the number of absentee ballots cast; and understated its indirect cost rate. The State paid the county \$342,830. Allowable costs claimed exceed the amount paid by \$600,672.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb

cc: The Honorable Larry Walker
Auditor-Controller/Recorder
San Bernardino County
Jai Prasad, Accountant II
Auditor-Controller/Recorder
San Bernardino County
Todd Jerue, Program Budget Manager
Corrections and General Government
Department of Finance

Contents

Audit Report

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

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by San Bernardino 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, 2002, through June 30, 2005.

The county claimed \$1,050,511 (\$1,051,511 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$943,502 is allowable and \$107,009 is unallowable. The unallowable costs resulted because the county overstated salaries and benefits costs, services and supplies costs, and the number of absentee ballots cast; and understated its indirect cost rate. The State paid the county \$342,830. Allowable costs claimed exceed the amount paid by \$600,672.

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 3204 (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 [CSM]) 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.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. CSM 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.

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, 2002, through June 30, 2005.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were 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 sections 12410, 17558.5, and 17561. 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, San Bernardino County claimed \$1,050,511 (\$1,051,511 less a \$1,000 penalty for filing a late claim) for costs of the Absentee Ballots Program. Our audit disclosed that \$943,502 is allowable and \$107,009 is unallowable.

For the fiscal year (FY) 2002-03 claim, the State made no payment to the county. Our audit disclosed that \$175,084 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$175,084, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the county. Our audit disclosed that \$488,167 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$488,167, contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the county \$342,830. Our audit disclosed that \$280,251 is allowable. The State will offset \$62,579 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

**Views of
Responsible
Officials**

We issued an initial draft report on April 25, 2008, and revised it on June 20, 2008. Bonnie Ter Keurst, Reimbursable Projects Section Manager, responded by letter dated June 23, 2008 (Attachment), agreeing with the audit results. This final audit report includes the county's response.

Restricted Use

This report is solely for the information and use of San Bernardino 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

June 30, 2008

**Schedule 1—
Summary of Program Costs
July 1, 2002, through June 30, 2005**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>	<u>Reference¹</u>
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits	\$ 33,103	\$ 32,179	\$ (924)	Finding 1
Services and supplies	<u>120,070</u>	<u>102,478</u>	<u>(17,592)</u>	Finding 2
Total direct costs	153,173	134,657	(18,516)	
Indirect costs	<u>98,928</u>	<u>96,167</u>	<u>(2,761)</u>	Finding 1
Total direct and indirect costs	252,101	230,824	(21,277)	
Less offsetting reimbursements	—	<u>(10,302)</u>	<u>(10,302)</u>	
Subtotal	252,101	220,522	<u>\$ (31,579)</u>	
Number of absentee ballots cast	÷ 74,195	÷ 67,628		
Cost per absentee ballot cast	\$3.40	\$3.26081		
Number of reimbursable absentee ballots	× 60,550	× 54,000	<u>(6,550)</u>	Finding 3
Total cost of reimbursable absentee ballots	205,870	176,084	\$ (29,786)	
Less offsetting reimbursements	(14,235)	—	14,235	
Less late filing penalty	<u>(1,000)</u>	<u>(1,000)</u>	—	
Total program costs	<u>\$ 190,635</u>	175,084	<u>\$ (15,551)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 175,084</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits	\$ 72,103	\$ 69,868	\$ (2,235)	Finding 1
Services and supplies	<u>390,176</u>	<u>368,972</u>	<u>(21,204)</u>	Finding 2
Total direct costs	462,279	438,840	(23,439)	
Indirect costs	<u>171,216</u>	<u>165,909</u>	<u>(5,307)</u>	Finding 1
Total direct and indirect costs	633,495	604,749	(28,746)	
Less offsetting reimbursements	—	<u>(14,323)</u>	<u>(14,323)</u>	
Subtotal	633,495	590,426	<u>\$ (43,069)</u>	
Number of absentee ballots cast	÷ 179,649	÷ 171,085		
Cost per absentee ballot cast	\$3.52629	\$3.45107		
Number of reimbursable absentee ballots	× 150,018	× 141,454	<u>(8,564)</u>	Finding 3
Total cost of reimbursable absentee ballots	529,007	488,167	\$ (40,840)	
Less offsetting reimbursements	<u>(11,961)</u>	—	11,961	
Total program costs	<u>\$ 517,046</u>	488,167	<u>\$ (28,879)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 488,167</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Salaries and benefits	\$ 55,743	\$ 54,015	\$ (1,728)	Finding 1
Services and supplies	358,614	287,230	(71,384)	Finding 2
Total direct costs	414,357	341,245	(73,112)	
Indirect costs	132,367	142,383	10,016	Findings 1, 4
Total direct and indirect costs	546,724	483,628	(63,096)	
Less offsetting reimbursements	—	(145,436)	(145,436)	
Subtotal	546,724	338,192	\$ (208,532)	
Number of absentee ballots cast	÷ 152,240	÷ 142,781		
Cost per absentee ballot cast	\$3.59120	\$2.36861		
Number of reimbursable absentee ballots	× 127,778	× 118,319	(9,459)	Finding 3
Total cost of reimbursable absentee ballots	458,877	280,251	\$ (178,626)	
Less offsetting reimbursements	(116,047)	—	116,047	
Total program costs	\$ 342,830	280,251	\$ (62,579)	
Less amount paid by the State		(342,830)		
Allowable costs claimed in excess of (less than) amount paid		\$ (62,579)		
<u>Summary: July 1, 2002, through June 30, 2005</u>				
Total cost of reimbursable absentee ballots	\$ 1,193,754	\$ 944,502	\$ (249,252)	
Less offsetting reimbursements	(142,243)	—	142,243	
Less late filing penalty	(1,000)	(1,000)	—	
Total program costs	\$ 1,050,511	943,502	\$ (107,009)	
Less amount paid by the State		(342,830)		
Allowable costs claimed in excess of (less than) amount paid		\$ 600,672		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Unallowable salaries
and benefits**

The county overstated salaries and benefits by \$4,887 for the audit period. The related indirect costs total \$12,172. For each fiscal year of the audit period, the county deducted 52 hours for estimated administration and meeting time when calculating its countywide productive hourly rates. The SCO’s claiming instructions, which include guidelines for preparing mandated cost claims, do not identify time spent on administration and meetings as an excludable deduction from total hours when computing annual productive hours. Furthermore, the time excluded by the county for administration and meetings was estimated, and was not based on actual time records.

The following table summarizes the unallowable salaries and benefits and related indirect costs:

	Fiscal Year			Total
	2002-03	2003-04	2004-05	
Salaries and benefits	\$ (924)	\$ (2,235)	\$ (1,728)	\$ (4,887)
Related indirect costs	(2,761)	(5,307)	(4,104)	(12,172)
Total	<u>\$ (3,685)</u>	<u>\$ (7,542)</u>	<u>\$ (5,832)</u>	<u>\$ (17,059)</u>

The program’s parameters and guidelines state that the productive hourly rate is determined by calculating total wages and related benefits divided by productive hours.

Recommendation

We recommend that the county claim only those costs that are applicable to the mandated program and supported by appropriate source documentation.

County’s Response

The county agreed with the audit finding.

**FINDING 2—
Unallowable services
and supplies**

The county overstated services and supplies claimed by \$110,180 for the audit period. These costs are unallowable because:

- The county claimed \$45,007 in unsupported costs. The amounts reconciled to its worksheets used in preparing the claim. However, the county did not provide source documents to validate the costs.
- The county claimed \$65,173 in non-reimbursable costs for no-polling-place voters and/or vote-by-mail voters.

The following table summarizes the unallowable services and supplies:

	Fiscal Year			Total
	2002-03	2003-04	2004-05	
Unsupported services and supplies	\$ (288)	\$ (17,878)	\$ (26,841)	\$ (45,007)
Non-reimbursable services and supplies	(17,304)	(3,326)	(44,543)	(65,173)
Total	<u>\$ (17,592)</u>	<u>\$ (21,204)</u>	<u>\$ (71,384)</u>	<u>\$ (110,180)</u>

The parameters and guidelines specify that a county may be reimbursed based on actual costs incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they occurred, and their relationship to the reimbursable activities.

Recommendation

We recommend that the county ensure that all claimed costs are supported by appropriate documentation and verify that costs claimed are allowable under the parameters and guidelines.

County’s Response

The county agreed with the audit finding.

**FINDING 3—
Overstated ballots
cast**

The county overstated absentee ballots cast by 24,573 for the audit period. For FY 2002-03, FY 2003-04, and FY 2004-05 the county claimed 60,550, 150,018, and 127,778 absentee ballots cast, respectively. However, the certified results for the number of absentee ballots cast for the same period was 54,000, 141,454, and 118,319, respectively.

The following table summarizes the overstated ballots cast:

	Fiscal Year			Total
	2002-03	2003-04	2004-05	
Allowable number of reimbursable ballots casts	54,000	141,454	118,319	313,773
Claimed number of reimbursable ballots casts	(60,550)	(150,018)	(127,778)	(338,346)
Difference	<u>(6,550)</u>	<u>(8,564)</u>	<u>(9,459)</u>	<u>(24,573)</u>

The parameters and guidelines allows the county reimbursement based on the actual number of absentee ballots cast.

Recommendation

We recommend that the county ensure that certified ballots cast reports from the Elections Division be used for future claims.

County’s Response

The county agreed with the audit finding.

**FINDING 4—
Understated indirect
cost rate**

The county understated its indirect cost rate for FY 2004-05, resulting in \$14,120 in understated costs. The county used FY 2003-04 indirect cost rate to claim 2004-05 indirect costs. During the audit, the county calculated its FY 2004-05 indirect cost rate. We recomputed allowable indirect costs using the correct rate.

The following table summarizes the understated indirect costs:

	Fiscal Year 2004-05
Allowable indirect cost rate	263.60%
Claimed indirect cost rate	(237.46)%
Understated indirect cost rate	26.14%
Allowable salaries and benefits	× \$ 54,015
Audit adjustment	<u>\$ 14,120</u>

The parameters and guidelines allow indirect costs prepared in accordance with the Office of Management and Budget (OMB) Circular A-87.

Recommendation

We recommend that the county prepare its indirect cost rate proposals in accordance with OMB Circular A-87 and ensure that it adequately documents the direct and indirect costs reported.

County’s Response

The county agreed with the audit finding.

**Attachment—
County's Response to
Revised Draft Audit Report**

AUDITOR/CONTROLLER-RECORDER COUNTY CLERK



COUNTY OF SAN BERNARDINO

AUDITOR/CONTROLLER • 222 West Hospitality Lane, Fourth Floor
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830
RECORDER • COUNTY CLERK • 222 West Hospitality Lane, First Floor
San Bernardino, CA 92415-0022 • (909) 387-8306 • Fax (909) 386-8940

LARRY WALKER
Auditor/Controller-Recorder
County Clerk

ELIZABETH A. STARBUCK
Assistant Auditor/Controller-Recorder
Assistant County Clerk

June 23, 2008

Mr. Jim L. Spano, Chief
Mandated Cost Audits Bureau
Office of the State Controller
Division of Audits
P. O. Box 942850
Sacramento, California 94250-5874

RE: **Response to Revised Draft Audit Report**
Absentee Ballots Program - Chapter 77, Statutes of 1978; Chapter 920, Statutes of 1994; and
Chapter 1032, Statutes of 2002

Dear Mr. Spano:

We have reviewed the State Controller's (SCO) revised draft audit report for the above mandated program dated June 20, 2008. Based on our review, we concur with the SCO findings and recommendations proposed in the Absentee Ballots Program revised draft audit report for the period of July 1, 2002 through June 30, 2005

If you have any questions, please feel free to call me at (909) 386-8850.

Sincerely,

A handwritten signature in cursive script that reads "Bonnie Ter Keurst".

Bonnie Ter Keurst
Reimbursable Projects Section Manager

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

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