

SONOMA COUNTY

Audit Report

ABSENTEE BALLOTS PROGRAM

Chapter 77, Statutes of 1978,
and Chapter 1032, Statutes of 2002

July 1, 2001, through June 30, 2004



STEVE WESTLY
California State Controller

March 2006



STEVE WESTLY
California State Controller

March 15, 2006

The Honorable Rodney A. Dole
Auditor-Controller
Sonoma County
585 Fiscal Drive, Suite 101F
Santa Rosa, CA 95403-2871

Dear Mr. Dole:

The State Controller's Office audited the costs claimed by Sonoma County for the legislatively mandated Absentee Ballots Program (Chapter 77, Statutes of 1978, and Chapter 1032, Statutes of 2002) for the period of July 1, 2001, through June 30, 2004.

The county claimed \$1,095,255 for the mandated program. Our audit disclosed that \$889,017 is allowable and \$206,238 is unallowable. The unallowable costs occurred because the county overstated salaries and benefits, services and supplies costs, and offsetting revenues. The State paid the county \$37,776. The State will pay allowable costs claimed that exceed the amount paid, totaling \$851,241, 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:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/ams:vb

cc: Celia Peterson
Accounting Manager
Sonoma County
Mark Sampietro
Accounting Manager
Sonoma 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 costs claimed by Sonoma County for the legislatively mandated Absentee Ballots Program (Chapter 77, Statutes of 1978, and Chapter 1032, Statutes of 2002) for the period of July 1, 2001, through June 30, 2004. The last day of fieldwork was March 3, 2005.

The county claimed \$1,095,255 for the mandated program. Our audit disclosed that \$889,017 is allowable and \$206,238 is unallowable. The unallowable costs occurred because the county overstated salaries and benefits, services and supplies costs, and offsetting revenues. The State paid the county \$37,776. The State will pay allowable costs claimed that exceed the amount paid, totaling \$851,241, 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 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. The 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, 2001, through June 30, 2004.

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, Sonoma County claimed \$1,095,255 for costs of the Absentee Ballots Program. Our audit disclosed that \$889,017 is allowable and \$206,238 is unallowable.

For fiscal year (FY) 2001-02, the State paid the county \$37,776. Our audit disclosed that \$153,077 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$115,301, contingent upon available appropriations.

For FY 2002-03, the State made no payment to the county. Our audit disclosed that \$207,023 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$207,023, contingent upon available appropriations.

For FY 2003-04, the State made no payment to the county. Our audit disclosed that \$528,917 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$528,917, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on January 6, 2006. Rodney A. Dole, Auditor-Controller, responded by letter dated January 24, 2006 (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 Sonoma 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, 2001, through June 30, 2004**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Salaries	\$ 89,431	\$ 82,765	\$ (6,666)	Finding 1
Benefits	10,726	13,180	2,454	Finding 1
Services and supplies	<u>216,306</u>	<u>130,837</u>	<u>(85,469)</u>	Finding 2
Subtotal	316,463	226,782	(89,681)	
Indirect costs	<u>98,554</u>	<u>94,410</u>	<u>(4,144)</u>	Finding 1
Total cost of absentee ballots	415,017	321,192	(93,825)	
Number of absentee ballots cast	÷ 63,765	÷ 63,765	÷ 63,765	
Cost per absentee ballot cast	\$ 6.50853	\$ 5.03712	\$(1.47141)	
Number of reimbursable absentee ballots	× 55,270	× 55,270	× 55,270	
Total cost of reimbursable absentee ballots	359,726	278,402	(81,324)	
Less reimbursements	<u>(125,325)</u>	<u>(125,325)</u>	<u>—</u>	
Amount claimed	<u>\$ 234,401</u>	153,077	<u>\$ (81,324)</u>	
Less amount paid by the State		<u>(37,776)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 115,301</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Salaries	\$ 56,968	\$ 56,612	\$ (356)	Finding 1
Benefits	9,861	9,944	83	Finding 1
Services and supplies	<u>223,269</u>	<u>185,034</u>	<u>(38,235)</u>	Finding 2
Subtotal	290,098	251,590	(38,508)	
Indirect costs	<u>53,289</u>	<u>53,072</u>	<u>(217)</u>	Finding 1
Total cost of absentee ballots	343,387	304,662	(38,725)	
Number of absentee ballots cast	÷ 67,684	÷ 67,684	÷ 67,684	
Cost per absentee ballot cast	\$ 5.07339	\$ 4.50124	\$(0.57215)	
Number of reimbursable absentee ballots	× 58,641	× 58,641	× 58,641	
Total cost of reimbursable absentee ballots	297,508	263,957	(33,551)	
Less reimbursements	<u>(56,934)</u>	<u>(56,934)</u>	<u>—</u>	
Amount claimed	<u>\$ 240,574</u>	207,023	<u>\$ (33,551)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 207,023</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2003, through June 30, 2004</u>				
Salaries	\$ 422,809	\$ 180,787	\$ (242,022)	Finding 1
Benefits	89,926	43,826	(46,100)	Finding 1
Services and supplies	<u>279,806</u>	<u>280,738</u>	<u>932</u>	Finding 2
Subtotal	792,541	505,351	(287,190)	
Indirect costs	<u>414,957</u>	<u>181,779</u>	<u>(233,178)</u>	Finding 1
Total cost of absentee ballots	1,207,498	687,130	(520,368)	
Number of absentee ballots cast	<u>÷ 172,788</u>	<u>÷ 172,788</u>	<u>÷ 172,788</u>	
Cost per absentee ballot cast	\$ 6.98835	\$ 3.97672	\$(3.01163)	
Number of reimbursable absentee ballots	<u>× 151,100</u>	<u>× 151,100</u>	<u>× 151,100</u>	
Total cost of reimbursable absentee ballots	1,055,939	600,883	(455,056)	
Less reimbursements	<u>(435,659)</u>	<u>(71,966)</u>	<u>363,693</u>	Finding 3
Amount claimed	<u>\$ 620,280</u>	528,917	<u>\$ (91,363)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 528,917</u>		
<u>Summary: July 1, 2001, through June 30, 2004</u>				
Total cost of reimbursable absentee ballots	\$ 1,713,173	\$ 1,143,242	\$ (569,931)	
Less offsetting savings/reimbursements	<u>(617,918)</u>	<u>(254,225)</u>	<u>363,693</u>	
Total costs	<u>\$ 1,095,255</u>	889,017	<u>\$ (206,238)</u>	
Less amount paid by the State		<u>(37,776)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 851,241</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Overstated salaries
and benefits**

During the audit period, the county overstated salaries and benefits totaling \$292,607, and related indirect costs totaling \$237,539.

Following is a summary of the audit adjustments.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Salaries	\$ (6,666)	\$ (356)	\$ (242,022)	\$ (249,044)
Benefits	2,454	83	(46,100)	(43,563)
Subtotal	(4,212)	(273)	(288,122)	(292,607)
Related indirect costs	(4,144)	(217)	(233,178)	(237,539)
Audit adjustment	<u>\$ (8,356)</u>	<u>\$ (490)</u>	<u>\$ (521,300)</u>	<u>\$ (530,146)</u>

The overstated salaries and benefits occurred because of the following.

- The county claimed costs for time spent on activities not related to the mandated program. These activities included processing and maintaining a list of permanent absentee voters (activity code 66) and mailing permanent absentee ballots (activity codes 67 and 68).
- The county misstated hours spent on mandated activities as follows.
 - For FY 2001-02, the county underclaimed 287.15 hours for permanent employees and overclaimed 612.5 hours that it did not support for extra-help employees.
 - For FY 2002-03, the county underclaimed 36.5 hours for permanent employees and 5.2 hours for extra-help employees.
 - For FY 2003-04, the county underclaimed 614.5 hours for permanent employees and overclaimed 352.5 hours that it did not support for extra-help employees.
- The county used average benefit rates instead of actual benefit rates when calculating employee benefit costs throughout the audit period. For FY 2001-02, the county used an average benefit rate for all permanent employees regardless of classification. For FY 2002-03 and FY 2003-04, the county calculated average benefit rates separately for permanent and extra-help employees. However, the average benefit rates the county used did not accurately represent the actual benefit rates incurred. We recalculated actual benefit rates for each employee for each fiscal year of the audit period.
- For FY 2003-04, the county overstated salaries and benefits by \$301,606. The overstatement occurred when the claim preparer transferred incorrect salary amounts from the county’s accounting reports to the claim form.

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

Recommendation

We recommend that the county establish and implement procedures to ensure that all claimed costs are based on actual costs and are properly supported.

County’s Response

The county agrees with the finding adjustments made to the claimed amounts. Accounting staff for Voter Registration has corrected an error in the labor distribution database that incorrectly included permanent absentee voter and permanent absentee ballot activities. Also, the county will use actual benefit rates instead of a department benefit rate in future claims. The remaining overstatement occurred as a result of consultant errors during the claim preparation process.

SCO’s Response

The finding and recommendation remain unchanged.

**FINDING 2—
Overstated services
and supplies costs**

The county overstated services and supplies costs totaling \$122,772 during the audit period. The county overstated costs of \$85,469 in FY 2001-02 and \$38,235 in FY 2002-03, and understated costs of \$932 in FY 2003-04.

The following is a summary of the audit adjustments.

<u>Fiscal Year</u>	<u>Claimed Costs</u>	<u>Audit Adjustments</u>	<u>Allowable Costs</u>
2001-02	\$ 216,306	\$ (85,469)	\$ 130,837
2002-03	223,269	(38,235)	185,034
2003-04	279,806	932	280,738
Total	<u>\$ 719,381</u>	<u>\$ (122,772)</u>	<u>\$ 596,609</u>

The misstated services and supplies costs occurred as a result of the following:

- For FY 2001-02, the county overclaimed services and supplies costs related to absentee ballots by \$100,156. The overstatement occurred because the county made a transposition error when preparing the reimbursement claim. According to county-prepared worksheets, the total cost incurred for services and supplies was \$116,150 rather than \$216,306, as claimed. However, further review disclosed that the county underclaimed costs for services and supplies totaling \$14,687. As a result, we reduced overstated costs to \$85,469 (\$100,156 – \$14,687).
- For FY 2002-03, the county overstated services and supplies costs by \$38,235. The county allocated services and supplies costs based on total invoice charges for printing all types of ballots for the general election of November 2002. The county should have allocated costs based only upon the number of absentee ballots printed.

- For FY 2003-04, the county understated costs incurred by \$932 because it made minor calculation errors when allocating costs incurred for absentee ballots.

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

Recommendation

We recommend that the county establish and implement procedures to ensure that it utilizes actual costs to prepare its claim and that all claimed costs are eligible increased costs incurred as a result of the mandate.

County's Response

The county agrees with the finding and adjustments made to the claimed amounts. The overstatement was primarily the result of consultant errors during the claim preparation process.

SCO's Response

The finding and recommendation remain unchanged.

FINDING 3— Overstated offsetting revenues

For FY 2003-04, the county overstated its offsetting revenues by \$363,693. The overstatement occurred because the county made a transposition error during the claim preparation process.

Parameters and Guidelines state that counties must identify and deduct from their claims reimbursement for this mandate from any source, including but not limited to service fees collected, federal funds, and other state funds.

Recommendation

We recommend that the county establish and implement procedures to ensure that it properly identifies offsetting reimbursements received under the absentee ballots program.

County's Response

The county agrees with the finding and adjustments made to the claimed amounts. The overstatement was primarily the result of consultant errors during the claim preparation process. All supporting documentation provided to the consultant was accurate.

SCO's Response

The finding and recommendation remain unchanged.

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

RODNEY A. DOLE
AUDITOR-CONTROLLER

Auditor-Controller
County of Sonoma

585 FISCAL DRIVE
SUITE 101F
SANTA ROSA, CALIFORNIA
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DONNA M. DUNK
ASSISTANT
AUDITOR-CONTROLLER

January 24, 2006

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

Dear Mr. Spano:

Thank you for providing the County of Sonoma with the opportunity to comment on the draft findings in your audit report on the Absentee Ballots state mandated program. This letter provides you with a response to each of the draft audit findings outlined in the report received by the county on January 11, 2006.

Finding 1 – Overstated salaries and benefits

The county agrees with the finding and adjustments made to the claimed amounts. Accounting staff for Voter Registration has corrected an error in the labor distribution database that incorrectly included permanent absentee voter and permanent absentee ballot activities. Also, the county will use actual benefit rates instead of a department benefit rate in future claims. The remaining overstatement occurred as a result of consultant errors during the claim preparation process.

Finding 2 – Overstated services and supplies costs

The county agrees with the finding and adjustments made to the claimed amounts. The overstatement was primarily the result of consultant errors during the claim preparation process.

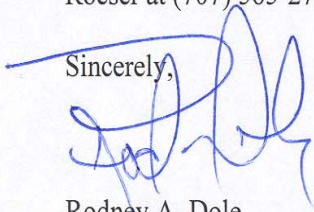
Finding 3 – Overstated offsetting revenues

The county agrees with the finding and adjustments made to the claimed amounts. The overstatement was primarily the result of consultant errors during the claim preparation process. All supporting documentation provided to the consultant was accurate.

Additionally, county staff will work with its consultant to provide an appropriate review period prior to filing to ensure that costs claimed for this program are actual, accurate and in compliance with parameters and guidelines.

Again, thank you for this opportunity to submit written comments on the draft audit report findings. If you have any questions about this response, please do not hesitate to contact Erick Roeser at (707) 565-2787.

Sincerely,



Rodney A. Dole
Auditor-Controller
County of Sonoma

RAD/4911/ER

Cc: Jeffrey Brownfield, SCO Division of Audits Chief
Celia Peterson, County of Sonoma

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