

RIVERSIDE COUNTY

Audit Report

PERMANENT ABSENT VOTERS PROGRAM

Chapter 1422, Statutes of 1982

*July 1, 2000, through June 30, 2001, and
July 1, 2002, through June 30, 2004*



JOHN CHIANG
California State Controller

October 2007



JOHN CHIANG
California State Controller

October 31, 2007

The Honorable Robert E. Byrd
Auditor-Controller
Riverside County
P.O. Box 1326
Riverside, CA 92502-1326

Dear Mr. Byrd:

The State Controller's Office audited the costs claimed by Riverside County for the legislatively mandated Permanent Absent Voters Program (Chapter 1422, Statutes of 1982) for the period of July 1, 2000, through June 30, 2001, and July 1, 2002, through June 30, 2004.

The county claimed \$477,149 (\$478,149 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$390,581 is allowable and \$86,568 is unallowable. The unallowable costs occurred because the county overstated and understated salaries and benefits, services and supplies, and indirect costs. The State paid the county \$102,280. Allowable costs claimed exceed the amount paid by \$288,301.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). 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 CSM's Web site, at www.csm.ca.gov (Guidebook link); you may 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, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk

cc: Barbara Dunmore
Registrar of Voters
Riverside County
Sue Martine
Administrative Service Manager
Riverside County
Todd Jerue, 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 Riverside County for the legislatively mandated Permanent Absent Voters Program (Chapter 1422, Statutes of 1982) for the period of July 1, 2000, through June 30, 2001, and July 1, 2002, through June 30, 2004. The last day of fieldwork was July 24, 2007.

The county claimed \$477,149 (\$478,149 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$390,581 is allowable and \$86,568 is unallowable. The unallowable costs occurred because the county overstated and understated salaries and benefits, services and supplies, and indirect costs. The State paid the county \$102,280. Allowable costs claimed exceed the amount paid by \$288,301.

Background

Chapter 1422, Statutes of 1982, added Election Code sections 1450 through 1456 (subsequently renumbered to Election Code sections 3200 through 3206 by Chapter 920, Statutes of 1994). The law requires counties to establish a permanent absent voter program. This legislation requires county clerks to:

- Establish and maintain a list of permanent absent voters who provide evidence of physical disability;
- Mail absent voter ballots to such voters for each election in which they are eligible to vote; and
- Delete from the permanent absent voter list any person who fails to return an executed absent voter ballot for any statewide district primary or general election.

On September 21, 1989, the Commission on State Mandates (CSM) determined that Chapter 1422, Statutes of 1982, 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 the parameters and guidelines on March 27, 1990. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies 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 Permanent Absent Voters Program for the period of July 1, 2000, through June 30, 2001, and July 1, 2002, 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, Riverside County claimed \$477,149 (\$478,149 less a \$1,000 penalty for filing a late claims) for costs of the Permanent Absent Voters Program. Our audit disclosed that \$390,581 is allowable and \$86,568 is unallowable.

For the fiscal year (FY) 2000-01 claim, the State paid the county \$102,280. Our audit disclosed that \$88,797 is allowable. The State will offset \$13,483 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

For the FY 2002-03 claim, the State made no payment to the county. Our audit disclosed that \$164,680 is allowable. The State will pay that amount contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the county. Our audit disclosed that \$137,104 is allowable. The State will pay that amount contingent upon available appropriations.

Views of Responsible Official

We issued a draft audit report on August 24, 2007. Michael G. Alexander, Chief of Audits, responded by e-mail message dated September 27, 2007, declining to provide a formal response to the draft audit report.

Restricted Use

This report is solely for the information and use of Riverside 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, 2001, and
July 1, 2002, through June 30, 2004**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>	<u>Reference</u> ¹
<u>July 1, 2000, through June 30, 2001</u>				
Salaries	\$ 43,502	\$ 30,136	\$ (13,366)	Finding 1
Benefits	8,576	6,408	(2,168)	Finding 2
Services and supplies	<u>26,667</u>	<u>21,128</u>	<u>(5,539)</u>	Finding 2
Total direct costs	78,745	57,672	(21,073)	
Indirect costs	<u>24,535</u>	<u>32,125</u>	<u>7,590</u>	Finding 4
Total direct and indirect costs	103,280	89,797	(13,483)	
Less late filing penalty	<u>(1,000)</u>	<u>(1,000)</u>	<u>—</u>	
Total program costs	<u>\$ 102,280</u>	88,797	<u>\$ (13,483)</u>	
Less amount paid by the State		<u>(102,280)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (13,483)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Salaries	\$ 80,176	\$ 61,774	\$ (18,402)	Finding 1
Benefits	17,240	16,943	(297)	Finding 2
Services and supplies	<u>37,286</u>	<u>30,243</u>	<u>(7,043)</u>	Finding 3
Total direct costs	134,702	108,960	(25,742)	
Indirect costs	<u>73,521</u>	<u>55,720</u>	<u>(17,801)</u>	Finding 4
Total program costs	<u>\$ 208,223</u>	164,680	<u>(43,543)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 164,680</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Services and supplies	\$ 166,646	\$ 137,104	\$ (29,542)	Finding 3
Indirect costs	<u>—</u>	<u>—</u>	<u>—</u>	
Total program costs	<u>\$ 166,646</u>	137,104	<u>\$ (29,542)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 137,104</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2000, through June 30, 2001, and July 1, 2002, through June 30, 2004</u>				
Salaries	\$ 123,678	\$ 91,910	\$ (31,768)	Finding 1
Benefits	25,816	23,351	(2,465)	Finding 2
Services and supplies	<u>230,599</u>	<u>188,475</u>	<u>(42,124)</u>	Finding 3
Total direct costs	380,093	303,736	(76,357)	
Indirect costs	<u>98,056</u>	<u>87,845</u>	<u>(10,211)</u>	Finding 4
Total direct and indirect costs	478,149	391,581	(86,568)	
Less late filing penalty	<u>(1,000)</u>	<u>(1,000)</u>	<u>—</u>	
Total program costs	<u>\$ 477,149</u>	390,581	<u>\$ (86,568)</u>	
Less amount paid by the State		<u>(102,280)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 288,301</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Unallowable salary costs**

The county claimed unallowable salary costs totaling \$31,768. The county’s records show that it overstated or understated claimed costs for the following reasons.

- The county claimed hourly wage rates that its records did not support. The county either understated or overstated employees’ wage rates.
- The county claimed employee hours that it did not support with source documentation.
- The county overstated costs for three employees’ regular hours worked. The county claimed 2,080 hours each for these full-time employees; however, it also used a productive hourly wage rate to calculate the employees’ claimed costs. As a result, the county double-claimed costs related to non-productive hours (i.e., vacation, sick leave, holidays, and other non-productive time).
- The county overstated overtime costs in fiscal year (FY) 2000-01 and understated overtime costs in FY 2002-03. The county pays its employees 150% of their regular wage rate for overtime hours worked. However, the county applied the 150% factor twice when it calculated mandate-related claimed costs for FY 2000-01. In FY 2002-03, the county understated costs because it applied a factor of 115% rather than 150%.

In addition, the salary costs that the county claimed are related to the Absentee Ballots mandated program rather than the Permanent Absent Voters mandated program. Rather than adjust the county’s claims for both programs, we adjusted allowable costs for the Permanent Absent Voter claims based on the reimbursement percentage allowable for the county’s Absentee Ballot claims. We identified allowable absentee ballots cast and additional absentee ballot filings in our audit report issued August 24, 2007, covering the county’s Absentee Ballots Program claims.

The program’s parameters and guidelines state, “For auditing purposes, all costs claimed must be traceable to source documents or worksheets that show evidence of and the validity of such costs.”

The following table summarizes the audit adjustment.

	Fiscal Year 2000-01		Fiscal Year 2002-03		Total
	Salary Costs		Salary Costs		
	Regular	Overtime	Regular	Overtime	
Costs claimed	\$ 34,248	\$ 9,254	\$ 70,948	\$ 9,228	
(Overstated)/understated costs	(2,654)	(2,811)	(4,760)	743	
Subtotal	31,594	6,443	66,188	9,971	
Number of allowable ballots cast	÷135,885	÷135,885	÷ 95,139	÷ 95,139	

	Fiscal Year 2000-01		Fiscal Year 2002-03		Total
	Salary Costs		Salary Costs		
	Regular	Overtime	Regular	Overtime	
Cost per absentee ballot cast	\$ 0.2325	\$ 0.0474	\$ 0.6957	\$ 0.1048	
Number of reimbursable absentee ballots	×107,659	×107,659	× 77,169	× 77,169	
Allowable costs	\$ 25,031	\$ 5,105	\$ 53,686	\$ 8,088	\$ 91,910
Costs claimed	(34,248)	(9,254)	(70,948)	(9,228)	(123,678)
Audit adjustment	\$ (9,217)	\$ (4,149)	\$ (17,262)	\$ (1,140)	\$ (31,768)

Recommendation

We recommend that the county claim only those costs that are supported by source documentation and reimbursable under the mandated program.

County’s Response

The county did not respond to the audit finding.

**FINDING 2—
Overstated benefit costs**

The county overstated benefit costs claimed by \$2,465 for FY 2000-01 and FY 2002-03. The county claimed benefits rates that it did not support with source documentation. The following table shows the allowable and claimed benefit rates.

	Fiscal Year	
	2000-01	2002-03
Allowable benefit rate	25.60%	31.56%
Benefit rate claimed	(25.04)%	(24.30)%
Difference	0.56%	7.26%

In addition, the county claimed benefit costs applicable to unallowable salary costs identified in Finding 1. The following table summarizes the audit adjustment.

	Fiscal Year		Total
	2000-01	2002-03	
Regular salary costs claimed	\$ 34,248	\$ 70,948	
Audit adjustment to regular salary costs, Finding 1	(9,217)	(17,262)	
Allowable regular salary costs	25,031	53,686	
Allowable benefit rate	× 25.60%	× 31.56%	
Allowable benefit costs	6,408	16,943	\$ 23,351
Benefit costs claimed	(8,576)	(17,240)	(25,816)
Audit adjustment	\$ (2,168)	\$ (297)	\$ (2,465)

The parameters and guidelines state, “For auditing purposes, all costs claimed must be traceable to source documents or worksheets that show evidence of and the validity of such costs.”

Recommendation

We recommend that the county claim only those costs that it supports with appropriate source documentation.

County’s Response

The county did not respond to the audit finding.

**FINDING 3—
Overstated services
and supplies costs**

The county reported unallowable services and supplies costs of \$42,124 for the audit period. Unallowable costs occurred for the following reasons.

- For the audit period, most of the claimed Permanent Absent Voter services and supplies costs (e.g., printing, pencils, envelopes, postage, and instruction sheets) were actually absentee ballot costs. Rather than adjust the county’s claims for both programs, we adjusted allowable costs for the Permanent Absent Voter claims based on the reimbursement percentage allowable for the county’s Absentee Ballot claims. We identified allowable absentee ballots cast and additional absentee ballot filings in our audit report issued August 24, 2007, covering the county’s Absentee Ballots Program claims.
- For FY 2003-04, the county claimed pencil-stuffing costs totaling \$8,171. The county allocated these costs between its Absentee Ballot and Permanent Absent Voter claims. However, the county’s supporting documentation supports only \$5,674. We allowed this amount under the Absentee Ballot claim. As a result, the pencil-stuffing costs claimed in the Permanent Absent Voter claim are unallowable.

The parameters and guidelines state, “For auditing purposes, all costs claimed must be traceable to source documents or worksheets that show evidence of and the validity of such costs.”

The following table summarizes the audit adjustment.

	Fiscal Year			Total
	2000-01	2002-03	2003-04	
Costs claimed	\$ 26,667	\$ 37,286	\$ 166,646	
Unallowable pencil stuffing costs	—	—	(4,441)	
Costs solely applicable to Permanent Absent Voter program	—	—	(6,706)	
Costs related to absentee ballots	26,667	37,286	155,499	
Number of allowable absentee ballots	÷135,885	÷ 95,139	÷274,847	
Cost per absentee ballot cast	\$ 0.1962	\$ 0.3919	\$ 0.5658	
Number of reimbursable absentee ballots	×107,659	× 77,169	×230,480	
Subtotal	\$ 21,128	\$ 30,243	\$ 130,398	\$ 181,769
Costs solely applicable to Permanent Absent Voter program	—	—	6,706	6,706

	Fiscal Year			Total
	2000-01	2002-03	2003-04	
Allowable costs	21,128	30,243	137,104	188,475
Costs claimed	(26,667)	(37,286)	(166,646)	(230,599)
Audit adjustment	\$ (5,539)	\$ (7,043)	\$ (29,542)	\$ (42,124)

Recommendation

We recommend that the county claim only those costs that are supported by source documentation and reimbursable under the mandated program.

County’s Response

The county did not respond to the audit finding.

**FINDING 4—
Overstated indirect costs**

The county understated its FY 2000-01 indirect cost rate and overstated its FY 2002-03 indirect cost rate. In addition, the county claimed indirect costs applicable to unallowable salary costs identified in Finding 1. As a result, the county overstated indirect costs claimed by \$10,211 for the audit period.

The county overstated or understated its indirect cost rates for the following reasons.

- For FY 2000-01, the indirect cost pool included salary and benefit costs that the county’s records did not support.
- For FY 2000-01, the indirect cost pool included salary and benefit costs and communication costs that the county claimed as direct costs. We allowed the costs as direct costs only.
- For FY 2000-01, the county incorrectly claimed the following costs as direct costs rather than indirect costs: computer equipment maintenance, software maintenance, computer supplies, and rents and leases.
- For FY 2002-03, the county incorrectly claimed legal expenses as indirect rather than direct costs.

The parameters and guidelines state, “Indirect costs may be claimed in the manner prescribed by the State Controller in his claiming instructions.” The SCO’s claiming instructions state, “If indirect costs are claimed, local agencies have the option of using 10% of direct labor as indirect costs or claiming indirect costs through a department’s Indirect Cost Rate Proposal (ICRP) for the program prepared in accordance with the provisions of [Office of Management and Budget] OMB Circular A-87.”

OMB Circular A-87 states that costs must be adequately documented. In addition, it defines direct costs as those costs that can be identified specifically with a particular final cost objective. It defines indirect costs as costs “(a) incurred for a common or joint purpose benefiting more

than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved.”

The following table shows the allowable and claimed indirect cost rates.

	Fiscal Year	
	2000-01	2002-03
Allowable indirect cost rate	106.60%	90.20%
Indirect cost rate claimed	(56.40)%	(91.70)%
Difference	50.20%	(1.50)%

The following table summarizes the audit adjustment.

	Fiscal Year		Total
	2000-01	2002-03	
Salary costs claimed	\$ 43,502	\$ 80,176	
Audit adjustment to salary costs, Finding 1	(13,366)	(18,402)	
Subtotal	30,136	61,774	
Allowable indirect cost rate	×106.60%	× 90.20%	
Allowable indirect costs	32,125	55,720	\$ 87,845
Less indirect costs claimed	(24,535)	(73,521)	(98,056)
Audit adjustment	\$ 7,590	\$ (17,801)	\$ (10,211)

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 direct and indirect costs reported.

County's Response

The county did not respond to the audit finding.

**State Controller's Office
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