

SACRAMENTO COUNTY

Revised 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, 2007



JOHN CHIANG
California State Controller

August 2012



JOHN CHIANG
California State Controller

August 24, 2012

The Honorable Don Nottoli, Chairperson
Board of Supervisors
Sacramento County
700 H Street, Suite 2450
Sacramento, CA 95814

Dear Mr. Nottoli:

The State Controller's Office audited the costs claimed by Sacramento 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, 2007.

This revised final report supersedes our previous report dated October 28, 2009. Our original report included an audit adjustment for understated offsetting reimbursements. The understated offsetting reimbursements resulted from errors in prior years' fee schedules that the county used to bill election costs to local governments. Subsequent to our original report, the county adjusted its fee schedules for calendar years 2010 through 2013 to correct the errors that resulted in understated offsetting reimbursements. Therefore, this revised final report eliminates Finding 6 from our original report. As a result, allowable costs increased by \$64,378 for the audit period.

The county claimed \$3,299,896 for the mandated program. Our audit disclosed that \$3,129,584 is allowable and \$170,312 is unallowable. The costs are unallowable because the county claimed inaccurate overtime and benefit costs, unallowable costs attributable to mail-ballot elections and mail-precinct ballots, hours worked that did not agree with supporting documentation, and unallowable sample ballot costs. The county also overstated indirect cost rates, the number of ballots cast, and number of absentee ballots cast. The State paid the county \$2,203,977. The State will pay allowable costs claimed that exceed the amount paid, totaling \$925,607, contingent upon available appropriations.

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 the CSM's website at www.csm.ca.gov/docs/IRCForm.pdf.

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: Julie Valverde, Director of Finance
Sacramento County
Jill Lavine, Registrar of Voters
Sacramento County
Alice Jarboe, Assistant Registrar of Voters
Sacramento County
Randall Ward, Finance Staff Analyst
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Revised Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Sacramento 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, 2007.

The county claimed \$3,299,896 for the mandated program. Our audit disclosed that \$3,129,584 is allowable and \$170,312 is unallowable. The costs are unallowable because the county claimed inaccurate overtime and benefit costs, unallowable costs attributable to mail-ballot elections and mail-precinct ballots, hours worked that did not agree with supporting documentation, and unallowable sample ballot costs. The county also overstated indirect cost rates, the number of ballots cast, and number of absentee ballots cast. The State paid the county \$2,203,977. The State will pay allowable costs claimed that exceed the amount paid, totaling \$925,607, 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 that absentee ballots 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 [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. The CSM adopted the parameters and guidelines on August 12, 1982, and last amended them 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, 2007.

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 this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the county's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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, Sacramento County claimed \$3,299,896 for costs of the Absentee Ballots Program. Our audit disclosed that \$3,129,584 is allowable and \$170,312 is unallowable.

For the fiscal year (FY) 2002-03 claim, the State made no payment to the county. Our audit disclosed that \$306,117 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 \$572,342 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the county \$746,920. Our audit disclosed that \$794,068 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$47,148, contingent upon available appropriations.

For the FY 2005-06 claim, the State paid the county \$712,824. Our audit disclosed that the entire amount is allowable.

For the FY 2006-07 claim, the State paid the county \$744,233. Our audit disclosed that the entire amount is allowable.

**Views of
Responsible
Official**

We issued a draft audit report on September 18, 2009. Alice Jarboe, Assistant Registrar of Voters, responded by letter dated September 24, 2009 (Attachment), agreeing with the audit results except for Finding 3.

We issued a final audit report on October 28, 2009. Based on additional documentation that the county provided, we revised our audit report to eliminate an audit adjustment previously identified as Finding 6. As a result, allowable costs increased by \$64,378 for the audit period. On May 10, 2012, we notified Ms. Jarboe and Denise Moralez, Fiscal Officer, of the report revision.

Restricted Use

This report is solely for the information and use of Sacramento 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

August 24, 2012

**Revised Schedule 1—
Summary of Program Costs
July 1, 2002, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits	\$ 73,045	\$ 91,677	\$ 18,632	Findings 1, 2
Services and supplies	201,600	125,758	(75,842)	Finding 3
Total direct costs	274,645	217,435	(57,210)	
Indirect costs	109,277	134,033	24,756	Finding 4
Total direct and indirect costs	383,922	351,468	<u>\$ (32,454)</u>	
Number of absentee ballots cast	÷ 113,826	÷ 113,826		
Cost per absentee ballots cast ²	\$3.37	\$3.09		
Number of reimbursable absentee ballots	× 99,067	× 99,067		
Total program costs ³	<u>\$ 334,142</u>	<u>\$ 306,117</u>	<u>\$ (28,025)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 306,117</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits	\$ 138,624	\$ 156,223	\$ 17,599	Findings 1, 2
Services and supplies	419,107	298,526	(120,581)	Finding 3
Total direct costs	557,731	454,749	(102,982)	
Indirect costs	185,340	197,934	12,594	Finding 4
Total direct and indirect costs	743,071	652,683	<u>\$ (90,388)</u>	
Number of absentee ballots cast	÷ 250,440	÷ 250,440		
Cost per absentee ballots cast ²	\$2.97	\$2.61		
Number of reimbursable absentee ballots	× 219,288	× 219,288		
Total program costs	<u>\$ 651,285</u>	<u>\$ 572,342</u>	<u>\$ (78,943)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 572,342</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Salaries and benefits	\$ 100,914	\$ 111,495	\$ 10,581	Findings 1, 2
Services and supplies	660,613	610,118	(50,495)	Finding 3
Total direct costs	761,527	721,613	(39,914)	
Indirect costs	172,867	182,407	9,540	Finding 4
Total direct and indirect costs	934,394	904,020	<u>\$ (30,374)</u>	
Number of absentee ballots cast	÷ 207,247	÷ 206,486	(761)	Finding 5
Cost per absentee ballots cast ²	\$4.51	\$4.38		
Number of reimbursable absentee ballots	× 182,038	× 181,294	(744)	Finding 5

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2004, through June 30, 2005 (continued)</u>				
Total program costs ³	\$ 820,735	\$ 794,068	\$ (26,667)	
Less amount paid by the State		(746,920)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 47,148</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Salaries and benefits	\$ 73,151	\$ 94,308	\$ 21,157	Findings 1, 2
Services and supplies	682,933	568,181	(114,752)	Finding 3
Total direct costs	756,084	662,489	(93,595)	
Indirect costs	106,566	114,905	8,339	Finding 4
Total direct and indirect costs	862,650	777,394	<u>\$ (85,256)</u>	
Number of absentee ballots cast	÷ 129,654	÷ 114,390	<u>(15,264)</u>	Finding 5
Cost per absentee ballots cast ²	\$6.65	\$6.80		
Number of reimbursable absentee ballots	× 111,196	× 104,827	<u>(6,369)</u>	Finding 5
Total program costs	<u>\$ 739,453</u>	\$ 712,824	<u>\$ (26,629)</u>	
Less amount paid by the State		(712,824)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Salaries and benefits	\$ 69,142	\$ 96,705	\$ 27,563	Findings 1, 2
Services and supplies	657,770	591,172	(66,598)	Finding 3
Total direct costs	726,912	687,877	(39,035)	
Indirect costs	100,892	132,689	31,797	Finding 4
Total direct and indirect costs	827,804	820,566	<u>\$ (7,238)</u>	
Number of absentee ballots cast	÷ 184,808	÷ 175,099	<u>(9,709)</u>	Finding 5
Cost per absentee ballots cast ²	\$4.48	\$4.69		
Number of reimbursable absentee ballots	× 168,394	× 158,685	<u>(9,709)</u>	Finding 5
Total program costs ³	<u>\$ 754,281</u>	\$ 744,233	<u>\$ (10,048)</u>	
Less amount paid by the State		(744,233)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>Summary: July 1, 2002, through June 30, 2007</u>				
Total program costs	<u>\$ 3,299,896</u>	\$ 3,129,584	<u>\$ (170,312)</u>	
Less amount paid by the State		<u>(2,203,977)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 925,607</u>		

¹ See the Revised Findings and Recommendations section.

² Amount rounded.

³ Calculation differences due to rounding.

Revised Findings and Recommendations

**FINDING 1—
Understated salaries
and benefits**

The county understated salaries and benefits by \$133,297. The understated costs are attributable to temporary county personnel.

The county incorrectly claimed temporary county personnel costs totaling \$128,898 as services and supplies rather than salaries and benefits. We reclassified these costs as salaries and benefits.

In addition, the county understated the claimed temporary county personnel costs by \$4,399. In fiscal year (FY) 2003-04, the county incorrectly calculated eight employees’ overtime and benefit costs in pay periods 20 and 22. In FY 2005-06, the county did not claim mandate-related costs attributable to four employees. The county also did not claim benefit costs attributable to nine employees’ overtime wages and two employees’ regular wages.

The following table summarizes the audit adjustment:

	Fiscal Year					Total
	2002-03	2003-04	2004-05	2005-06	2006-07	
Costs incorrectly claimed as services and supplies	\$ 22,210	\$ 32,029	\$ 23,740	\$ 21,036	\$ 29,883	\$128,898
Understated overtime and benefit costs	—	1,906	—	—	—	1,906
Unclaimed costs	—	—	—	2,179	—	2,179
Understated benefit costs	—	—	—	314	—	314
Audit adjustment	\$ 22,210	\$ 33,935	\$ 23,740	\$ 23,529	\$ 29,883	\$133,297

The program’s parameters and guidelines state that the county may claim actual costs, which are those costs actually incurred to implement mandated activities.

Recommendation

We recommend that the county claim temporary county personnel costs as salaries and benefits rather than services and supplies. We also recommend that the county ensure that it accurately calculates overtime and benefit costs and that it claims all mandate-related costs.

County’s Response

We concur with the recommendation. We have put procedures in place to calculate overtime and benefit costs accurately using a formula recommended by the SCO. We moved all of our permanent and temporary county employees into salaries and benefits.

**FINDING 2—
Unallowable salaries
and benefits**

The county claimed unallowable salaries and benefits totaling \$37,765. The unallowable costs are attributable to permanent county personnel. The costs are unallowable for the reasons listed below.

- The county incorrectly calculated overtime wage rates. The county paid its permanent employees 150% of their regular hourly wage rates for overtime hours worked. For FY 2003-04, FY 2005-06, and FY 2006-07, the county claimed overtime wage rates equal to 150% of employees’ productive hourly rates. For FY 2002-03, the county claimed five employees’ overtime wage rates as 150% of their productive hourly rates. The county claimed higher amounts for two employees’ overtime wage rates. For FY 2004-05, the county claimed overtime wage rates equal to 105% of employees’ productive hourly rates for all but one employee. For the remaining employee, the county used the employee’s productive hourly rate as the overtime wage rate.
- During FY 2002-03 and FY 2003-04, the county overstated allowable benefit costs attributable to overtime wages. The county claimed these benefit costs based on a benefit rate attributable to regular wages only. In subsequent fiscal years, the county claimed overtime benefit costs using a rate of 7.65% attributable to Social Security and Medicare taxes. We calculated allowable FY 2002-03 and FY 2003-04 overtime benefit costs using the 7.65% rate.
- During FY 2004-05, the county claimed costs related to mail-ballot elections conducted pursuant to Election Code section 4000, et al. The mandated program does not require the county to conduct a mail-ballot election. Election Code section 4000 states, “A local, special, or consolidated election *may* [emphasis added] be conducted wholly by mail. . . .” Therefore, these costs are not reimbursable under the mandated program. The county also claimed costs attributable to other non-mandate-related activities.

In addition, the county claimed hours worked that did not agree with hours documented in its accounting system (COMPASS). For FY 2002-03 and FY 2004-05, the hours documented on COMPASS exceeded hours claimed.

The following table summarizes the audit adjustment:

	Fiscal Year					Total
	2002-03	2003-04	2004-05	2005-06	2006-07	
Audit adjustment	\$ (3,578)	\$ (16,336)	\$ (13,159)	\$ (2,372)	\$ (2,320)	\$ (37,765)

The parameters and guidelines state that the county may claim only actual costs:

Actual costs are those costs actually 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 were incurred, and their relationship to the reimbursable activities.

Recommendation

We recommend that the county:

- Claim actual hours that employees work on mandate-related activities that are supported by the county’s accounting system.
- Consistently calculate and claim overtime wages at a rate of 150% of each employee’s regular wage rate.
- Claim only actual benefit costs attributable to overtime wages.

County’s Response

We concur with these findings. Since FY 2005-06, our internal COMPASS system captures our labor distribution from actual timesheet entries. We are now able to run reports to pull hours charged to Absentee Ballot tasks. In previous years, we relied on a manually generated Excel spreadsheet.

**FINDING 3—
Unallowable services
and supplies**

The county claimed unallowable services and supplies totaling \$428,268. The costs are unallowable for the reasons listed below.

- During FY 2002-03 and FY 2003-04, the county claimed \$217,989 for sample ballot costs. The county subsequently identified \$198,160 as absentee ballot “vote pages.” The remaining \$19,829 that the county claimed in FY 2003-04 is related to sample ballots issued pursuant to Election Code section 13300. Sample ballot costs are not reimbursable under the mandated program.

The vote pages are separate from the sample ballots that the county distributes pursuant to Election Code section 13300. The county distributes these vote pages with the absentee ballots. Aside from the absentee voter instructions, the vote pages duplicate information that the sample ballots provide by listing and numbering the ballot candidates and measures.

Election Code section 3010, subdivision (b), requires the county to provide “all supplies necessary for the use and return of the ballot.” Since the sample ballot lists and numbers the ballot candidates and measures, the duplicative vote pages are not required under Election Code section 3010. Therefore, the associated cost is not mandate-related. We allowed the cost to provide absentee voter instructions based on the ratio of instructional pages versus total vote pages. The following table summarizes the audit adjustment:

	Actual Costs Claimed	Instruc- tional Pages	Total Pages	Allowable Per Audit	Audit Adjustment
Fiscal Year 2002-03:					
November 2002 vote pages	\$ 80,179	1	4	\$ 20,045	\$ (60,134)
Fiscal year 2003-04:					
October 2003 vote pages	53,851	1	3	17,771	(36,080)
October 2003 sample ballot costs	4,816			—	(4,816)
March 2004 vote pages	64,130	1	2	32,065	(32,065)
March 2004 sample ballot costs	15,013			—	(15,013)
Subtotal, Fiscal Year 2003-04	137,810			49,836	(87,974)
Total	\$ 217,989			\$ 69,881	\$ (148,108)

- The county incorrectly claimed temporary county personnel costs totaling \$128,898 as services and supplies rather than as salaries and benefits. We reclassified these costs as salaries and benefits. (Refer to Finding 1.)
- The county overstated allowable ballot printing costs by \$95,989 for FY 2004-05, FY 2005-06, and FY 2006-07. These costs are attributable to services provided by Election Systems & Software, Incorporated (ES&S). The county claimed unallowable printing costs for mail-precinct ballots (we use the term “mail-precinct ballots” to identify those ballots that the county issued pursuant to Election Code section 3005).

The mandated program does not require the county to issue mail-precinct ballots. Election Code section 3005, effective during the audit period, states, “Whenever, on the 88th day before the election, there are 250 or less persons registered to vote in any precinct, the elections official *may* [emphasis added] furnish each voter with an absentee ballot along with a statement that there will be no polling place for the election.” Therefore, these costs are not reimbursable under the mandated program.

FY 2004-05

For the November 2004 election, the county claimed costs for 272,900 absentee ballots and 15,550 mail-precinct ballots. The county claimed costs based on a unit price of \$0.5926 per ballot card. For this election, each ballot contained two cards. The county claimed printing costs totaling \$341,885. Allowable costs total \$323,441 (272,900 absentee ballots × 2 cards per ballot × \$0.5926 per card). The difference of \$18,444 is unallowable.

For the March 2005 election, the county claimed costs attributable to 152,300 absentee ballots and 4,440 mail-precinct ballots. The county claimed costs based on a unit price of \$0.5926 per ballot. The county claimed printing costs totaling \$92,888. Allowable costs total \$90,253 (152,300 absentee ballots × \$0.5926 per ballot). The difference of \$2,635 is unallowable.

FY 2005-06

For the June 2006 election, the county claimed costs attributable to 344,320 absentee ballots and 24,510 mail-precinct ballots. The county claimed costs based on a unit price of \$0.55 per ballot card. For this election, each ballot contained two cards. The county claimed printing costs totaling \$405,713. The county's documentation shows that the actual unit price per ballot card was \$0.5185. Therefore, allowable costs total \$357,060 (344,320 absentee ballots × 2 cards per ballot × \$0.5185 per card). The difference of \$48,653 is unallowable.

FY 2006-07

For the November 2006 election, the county claimed costs attributable to 341,300 absentee ballots and 22,215 mail-precinct ballots. The county claimed costs based on a unit price of \$0.5925 per ballot card. For this election, each ballot contained two cards. The county claimed printing costs totaling \$430,766. The county's documentation shows that the actual unit price per ballot card was \$0.5926. Therefore, allowable costs total \$404,509 (341,300 absentee ballots × 2 cards per ballot × \$0.5926 per card). The difference of \$26,257 is unallowable.

- The county claimed additional unallowable mail-precinct ballot costs totaling \$37,834. The following table summarizes the unallowable costs:

	Fiscal Year				Total
	2003-04	2004-05	2005-06	2006-07	
Ballot preparation costs	\$ (965)	\$ (300)	\$ (10,399)	\$ (6,575)	\$ (18,239)
Mailing/postage costs	(1,601)	(105)	—	(7,189)	(8,895)
Envelope costs	(1,322)	(1,102)	(2,536)	—	(4,960)
Printing costs	—	(4,315)	—	—	(4,315)
Translation costs	—	(1,425)	—	—	(1,425)
Audit adjustment	<u>\$ (3,888)</u>	<u>\$ (7,247)</u>	<u>\$ (12,935)</u>	<u>\$ (13,764)</u>	<u>\$ (37,834)</u>

- The county claimed unallowable postage costs totaling \$29,481. The county understated allowable costs by \$2,339 for FY 2004-05 and overstated allowable costs by \$31,820 for FY 2005-06.

FY 2004-05

The county's documentation shows that it understated allowable costs for the November 2004 election. We calculated postage costs totaling \$36,136 based on 190,189 absentee ballots distributed and a bulk mailing rate of \$0.19 per ballot. Of this amount, the county claimed \$25,933 on its Permanent Absent Voter mandated cost claim. The balance of \$10,203 is allowable. The county claimed \$4,228; therefore, it understated allowable costs by \$5,975.

The county's documentation shows that it overstated allowable costs for the March 2005 election. We calculated allowable postage costs totaling \$14,930 based on 78,580 absentee ballots distributed and a bulk mailing rate of \$0.19 per ballot. The county claimed \$18,566; therefore, it overstated allowable costs by \$3,636.

FY 2005-06

For the June 2006 election, the county claimed duplicate costs totaling \$23,758 by commingling envelope costs with postage costs. It also claimed unallowable mail-precinct ballot postage costs of \$8,318. The county understated allowable costs by \$256 because it did not claim costs for absentee ballots mailed during the last seven days before the election. The unallowable costs total \$31,820.

- The county understated contract services costs by \$7,330. The county claimed \$105,991; it provided documentation that supports allowable costs totaling \$113,321.
- The county understated allowable mailing costs by \$6,502 for the November 2002 election. The county incurred these costs from Quick Sort LLC.
- The county incorrectly claimed provisional ballot costs totaling \$825 in FY 2006-07.
- The county overstated printing and translation costs by \$507. For FY 2003-04, the county used a different methodology than the one it used in subsequent fiscal years to claim ballot printing costs. For FY 2003-04, the county claimed printing costs based on a ratio of absentee ballots issued versus the total number of registered voters. The county used this same methodology to claim translation costs for FY 2003-04 through FY 2005-06. The county did not identify how it calculated translation costs claimed for FY 2006-07.

The county overstated the ratios that it used in FY 2003-04 through FY 2005-06 because it included mail-precinct ballots in the count of absentee ballots issued. We calculated allowable absentee ballot percentages for FY 2003-04 through FY 2006-07 based on absentee ballots issued (excluding mail-precinct ballots) versus the total number of registered voters. The following table summarizes the audit adjustment for overstated translation and printing costs:

	Fiscal Year				Total
	2003-04	2004-05	2005-06	2006-07	
Absentee ballots issued	316,263	280,082	208,971	233,491	
Total registered voters	÷ 1,208,731	÷ 950,272	÷ 620,191	÷ 624,444	
Allowable absentee ballot percentage	<u>26.16%</u>	<u>29.47%</u>	<u>33.69%</u>	<u>37.39%</u>	
Total translation costs	\$ 8,964	\$ 27,056	\$ 14,711	\$ 21,212	
Total printing costs	<u>305,858</u>	<u>—</u>	<u>—</u>	<u>—</u>	
Subtotal	314,822	27,056	14,711	21,212	
Allowable absentee ballot percentage	× 26.16%	× 29.47%	× 33.69%	× 37.39%	
Allowable costs	82,357	7,973	4,956	7,931	
Less claimed costs	<u>(86,377)</u>	<u>(8,283)</u>	<u>(5,264)</u>	<u>(3,800)</u>	
Audit adjustment	<u>\$ (4,020)</u>	<u>\$ (310)</u>	<u>\$ (308)</u>	<u>\$ 4,131</u>	<u>\$ (507)</u>

- The county overstated allowable printing costs by \$458. The county claimed \$20,784 attributable to one invoice from Admail West for FY 2004-05. However, the invoice amount totaled only \$20,326.

The following table summarizes the audit adjustment for services and supplies:

	Fiscal Year					Total
	2002-03	2003-04	2004-05	2005-06	2006-07	
Sample ballot costs	\$ (60,134)	\$ (87,974)	\$ —	\$ —	\$ —	\$ (148,108)
Temporary personnel costs	(22,210)	(32,029)	(23,740)	(21,036)	(29,883)	(128,898)
Ballot printing costs—ES&S	—	—	(21,079)	(48,653)	(26,257)	(95,989)
Mail-precinct ballot costs	—	(3,888)	(7,247)	(12,935)	(13,764)	(37,834)
Postage costs	—	—	2,339	(31,820)	—	(29,481)
Contract services	—	7,330	—	—	—	7,330
Mailing costs	6,502	—	—	—	—	6,502
Provisional ballot costs	—	—	—	—	(825)	(825)
Ballot printing and translation costs	—	(4,020)	(310)	(308)	4,131	(507)
Ballot printing costs—Admail West	—	—	(458)	—	—	(458)
Audit adjustment	<u>\$ (75,842)</u>	<u>\$ (120,581)</u>	<u>\$ (50,495)</u>	<u>\$ (114,752)</u>	<u>\$ (66,598)</u>	<u>\$ (428,268)</u>

The program’s parameters and guidelines state that claimants may claim only actual costs, which are those costs actually incurred to implement the mandated activities. They also state that actual costs must be “traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities.”

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

- We concur with the interpretation of mail ballots as not being part of the mandated program.
- We do not concur with the interpretation on Vote Pages for fiscal years 2002-03 and 2003-04. In these fiscal years, a 312 punch-card system was used for balloting. This type of ballot is an IBM-type punch card with 312 pre-scored chads that the voter punches to show their voting choice. This system does not allow voting information to be printed directly on the ballot; the voter is required to use ‘Vote Pages’ that list a number next to a candidate’s name. Without information on which punch number corresponds to each candidate, the voter cannot punch the number that corresponds to their voting choice.

California Election Code Section 3010 requires election officials deliver to each qualified applicant all supplies necessary for the use and return of the ballot. During these two fiscal years, the supplies necessary for the use of the ballot included ‘Vote Pages.’ These ‘Vote Pages’ are a voting guide for the 312 punch-card ballot necessary for marking the ballot. These are separate and distinct from the Sample Ballot Pamphlet.

SCO's Comment

Our finding and recommendation are unchanged. The county agreed with all adjustments related to mail-precinct ballots and did not comment on all other audit adjustments other than absentee ballot vote pages.

We recognize that the county used IBM-type punch card ballots for FY 2002-03 and FY 2003-04. However, we disagree that “the voter is required to use ‘Vote Pages’ that list a number next to a candidate’s name.” We reviewed both the sample ballots and vote pages that the county issued. Aside from instructions to complete and return the absentee ballot, the vote pages duplicate information that the sample ballots provide. The sample ballots list and number the ballot candidates and measures. Voters may use the sample ballots to complete their punch card ballots. Election Code section 13300 et seq. requires the county to issue sample ballots to all registered voters. Sample ballot costs are not reimbursable under the mandated program.

The county cites Election Code section 3010 to justify the vote pages. Except for the instruction page, we disagree that vote pages are “necessary for the use and return of the ballot.” The vote pages duplicate information that the sample ballots provide; both provide a list of candidates and measures. Therefore, Election Code section 3010 requires that the county provide the instruction page only; the remaining vote pages are not required and thus not mandate-related.

**FINDING 4—
Understated indirect
costs**

The county understated allowable indirect costs by \$87,026 for the audit period. The following errors resulted in net understated costs:

- The county did not claim indirect costs attributable to county temporary personnel costs identified in Finding 1
- The county claimed unallowable indirect costs attributable to unallowable salaries and benefits identified in Finding 2
- The county overstated its indirect cost rates for each fiscal year

The county overstated its indirect cost rates because it incorrectly allocated costs as direct or indirect. The county acknowledged the errors and provided the correct cost allocations.

In one or more fiscal years, the county incorrectly allocated costs for the following departmental expense accounts: Education/Training Services (Account No. 202035), Freight/Cartage (Account No. 202045), Rents/Leases (Account No. 202171), and Interest Expense (Account No. 303210).

In FY 2005-06, the county incorrectly allocated salaries and benefits as direct or indirect for information technology employees.

In FY 2006-07, the county received reimbursement from Help America Vote Act (HAVA) funds for certain salaries and benefits. However, the county incorrectly excluded these costs from the direct cost base in its indirect cost rate proposal.

The following table summarizes the indirect cost rate audit adjustments:

	Costs Reported	Allowable Costs	Audit Adjustment
<u>FY 2002-03</u>			
Direct costs, salaries and benefits (A)	\$ 1,675,311	\$ 1,675,311	\$ —
Indirect costs:			
Education/training services	\$ 63,107	\$ 7,277	\$ (55,830)
Rents/leases	25,818	—	(25,818)
Interest	—	24,654	24,654
Other	2,417,300	2,417,300	—
Total indirect costs (B)	\$ 2,506,225	\$ 2,449,231	\$ (56,994)
Indirect cost rate (B ÷ A)	149.6%	146.2%	
<u>FY 2003-04</u>			
Direct costs, salaries and benefits (C)	\$ 2,183,180	\$ 2,183,180	\$ —
Indirect costs:			
Education/training services	\$ 118,768	\$ 7,727	\$ (111,041)
Freight/cartage	40,256	476	(39,780)
Rents/leases	48,750	—	(48,750)
Interest	—	47,549	47,549
Other	2,710,506	2,710,506	—
Total indirect costs (D)	\$ 2,918,280	\$ 2,766,258	\$ (152,022)
Indirect cost rate (D ÷ C)	133.7%	126.7%	
<u>FY 2004-05</u>			
Direct costs, salaries and benefits (E)	\$ 1,825,599	\$ 1,825,599	\$ —
Indirect costs:			
Education/training services	\$ 149,137	\$ 5,377	\$ (143,760)
Other	2,980,711	2,980,711	—
Total indirect costs (F)	\$ 3,129,848	\$ 2,986,088	\$ (143,760)
Indirect cost rate (F ÷ E)	171.4%	163.6%	
<u>FY 2005-06</u>			
Direct costs, salaries and benefits (G)	\$ 2,149,626	\$ 2,380,670	\$ 231,044
Indirect costs:			
Salaries and benefits	\$ 1,018,706	\$ 787,662	\$ (231,044)
Other	2,112,914	2,112,914	—
Total indirect costs (H)	\$ 3,131,620	\$ 2,900,576	\$ (231,044)
Indirect cost rate (H ÷ G)	145.7%	121.8%	
<u>FY 2006-07</u>			
Direct costs, salaries and benefits (J)	\$ 2,014,379	\$ 2,142,251	\$ 127,872
Indirect costs (K)	\$ 2,939,312	\$ 2,939,312	\$ —
Indirect cost rate (K ÷ J)	145.9%	137.2%	

The following table summarizes the audit adjustment based on the audited indirect cost rates and allowable salaries and benefits:

	Fiscal Year					Total
	2002-03	2003-04	2004-05	2005-06	2006-07	
Allowable salaries and benefits	\$ 91,677	\$ 156,223	\$ 111,495	\$ 94,308	\$ 96,705	
Allowable indirect cost rate	× 146.2%	× 126.7%	× 163.6%	× 121.8%	× 137.2%	
Allowable indirect costs ¹	134,033	197,934	182,407	114,905	132,689	\$ 761,968
Less indirect costs claimed	(109,277)	(185,340)	(172,867)	(106,566)	(100,892)	(674,942)
Audit adjustment	\$ 24,756	\$ 12,594	\$ 9,540	\$ 8,339	\$ 31,797	\$ 87,026

¹ Calculation differences due to rounding.

The parameters and guidelines state, “Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in the Office of Management and Budget [OMB] Circular A-87.”

Title 2, Code of Federal Regulations (CFR), Part 225 (OMB Circular A-87), states that indirect costs are those costs “incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved.” It also states that the direct cost base means the accumulated direct costs used to distribute indirect costs to individual cost objectives.

Recommendation

We recommend that the county properly allocate costs as direct or indirect costs according to Title 2, CFR, Part 225. We also recommend that the county’s direct cost base include all salaries and benefits that benefit from the indirect cost pool.

County’s Response

We concur with the recommendation.

**FINDING 5—
Overstated ballots
cast**

The county overstated the number of absentee ballot cast in FY 2004-05, FY 2005-06, and FY 2006-07. It also overstated the number of total ballots cast in FY 2004-05 and FY 2005-06.

On its mandated program claims, the county reported a number of ballots cast that did not agree with the California Secretary of State's (SOS) voter participation statistics and the county's official statements of vote.

The parameters and guidelines prescribe the formula used to calculate the number of reimbursable absentee ballots and resulting reimbursable costs. The number of ballots cast and the number of absentee ballots cast directly affect the calculation of the number of reimbursable absentee ballots.

The following table summarizes the audit adjustment for the number of total ballots cast, absentee ballots cast, and reimbursable absentee ballots:

	Number of Ballots		
	Claimed	Allowable	Audit Adjustment
<u>Fiscal Year 2004-05</u>			
Ballots cast, 01/01/75 through 12/30/78 (W)	1,314,346	1,314,346	—
Absentee ballots cast, 01/01/75 through 12/30/78 (X)	58,599	58,599	—
Ballots cast in FY 2004-05 (Y)	565,431	565,045	(386)
Absentee ballots cast in FY 2004-05 (Z) ¹	207,247	206,486	(761)
Additional absentee ballot filings (Z – [(X ÷ W) × Y]) ¹	182,038	181,294	(744)
<u>Fiscal Year 2005-06</u>			
Ballots cast, 01/01/75 through 12/30/78 (W)	1,314,346	1,314,346	—
Absentee ballots cast, 01/01/75 through 12/30/78 (X)	58,599	58,599	—
Ballots cast in FY 2005-06 (Y)	414,008	214,495	(199,513)
Absentee ballots cast in FY 2005-06 (Z) ¹	129,654	114,390	(15,264)
Additional absentee ballot filings (Z – [(X ÷ W) × Y]) ¹	111,196	104,827	(6,369)
<u>Fiscal Year 2006-07</u>			
Ballots cast, 01/01/75 through 12/30/78 (W)	1,314,346	1,314,346	—
Absentee ballots cast, 01/01/75 through 12/30/78 (X)	58,599	58,599	—
Ballots cast in FY 2006-07 (Y)	368,162	368,162	—
Absentee ballots cast in FY 2006-07 (Z) ¹	184,808	175,099	(9,709)
Additional absentee ballot filings (Z – [(X ÷ W) × Y]) ¹	168,394	158,685	(9,709)

¹ Carries forward to Schedule 1, Summary of Program Costs

Recommendation

We recommend that the county report the number of total ballots cast and the number of absentee ballots cast that is supported by SOS voter participation statistics and the county's official statements of vote.

County's Response

We concur with the recommendation.

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

Countywide Services Agency

Voter Registration and Elections
Jill LaVine, Registrar of Voters



Terry Schutten, County Executive
James W. Hunt, Acting Administrator

County of Sacramento

September 24, 2009

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

Dear Mr. Spano,

RE: Sacramento County Absentee Ballots Program Audit

Thank you for the opportunity to comment on the draft Absentee Ballots Program Audit Report findings. I would like to commend your staff for their professionalism during this audit and their willingness to work around pressing election schedules.

Sacramento's responses to the six audit findings are attached to this letter. While generally agreeing with the findings, Sacramento does not agree with the finding of unallowable supplies as noted in finding three.

Sincerely,

A handwritten signature in cursive script that reads "Alice Jarboe".

Alice Jarboe, Assistant Registrar
Sacramento County Voter Registration
and Elections

Attachment

We proudly conduct elections with accuracy, integrity and dignity

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toll-free (800) 762-8019 • Speech and Hearing Impaired • (TTY) 1-800-735-2929 • www.saccounty.net

Finding 1 – Understated Salaries and Benefits

Recommendation

We recommend that the county properly claim temporary county personnel costs as salaries and benefits rather than services and supplies. We also recommend that the county ensure that it accurately calculates overtime and benefit costs and that it claims all mandate-related costs.

Response

We concur with the recommendation. We have put procedures in place to calculate overtime and benefit costs accurately using a formula recommended by the SCO. We moved all of our permanent and temporary county employees into salaries and benefits.

Finding 2 – Unallowable Salaries and Benefits

Recommendation

We recommend that the county:

- Claim actual hours that employees work on mandate-related activities, which are supported by the county's accounting system.
- Consistently calculate and claim overtime wages at a rate of 150% of each employee's regular wage rate.
- Claim only actual benefit costs attributable to overtime wages.

Response

We concur with these findings. Since FY 2005-06, our internal COMPASS system captures our labor distribution from actual timesheet entries. We are now able to run reports to pull hours charged to Absentee Ballot tasks. In previous years, we relied on a manually generated Excel spreadsheet.

Finding 3 - Unallowable Services and Supplies

Recommendation

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

Response

- We concur with the interpretation of mail ballots as not being part of the mandated program.
- We do not concur with the interpretation on Vote Pages for fiscal years 2002-03 and 2003-04. In these fiscal years, a 312 punch-card system was used for balloting. This type of ballot is an IBM-type punch card with 312 pre-scored chads that the voter punches to show their voting choice. This system does not allow voting information to be printed directly on the ballot; the voter is required to use 'Vote Pages' that list a number next to a candidate's name. Without information on which

punch number corresponds to each candidate, the voter cannot punch the number that corresponds to their voting choice.

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Finding 4 – Understated Indirect Costs

Recommendation

We recommend that the county properly allocate costs as direct or indirect costs according to Title 2 CFR Part 225. We also recommend that the county's direct cost base include all salaries and benefits that benefit from the indirect cost pool.

Response

We concur with the recommendation.

Finding 5 - Overstated Ballots Cast

Recommendation

We recommend that the county report the number of total ballots cast and the number of absentee ballots cast that is supported by SOS voter participation statistics and the county's official statements of vote.

Response

We concur with this recommendation.

Finding 6 - Understated Offsetting Reimbursements

Recommendation

We recommend that the county deduct actual absentee ballot costs when it prepares fee schedules to calculate billable costs per registered voter. Alternatively, we recommend that the county implement a system to adjust differences between estimated and actual absentee ballot costs in subsequent years' fee schedules.

COUNTY OF SACRAMENTO
ABSENTEE BALLOT AUDIT RESPONSE
FY 2002-03 THROUGH FY 2006-07
September 24, 2009

Response

We concur with this recommendation. We have changed the preparation date of our biyearly Fee Schedule to insure we use actual and not estimated claim totals. We will adjust our next Fee Schedule calculations for 2010-2011 to include the overcharge to our districts of \$64,378. It is our understanding, once we have shown this adjustment to the SCO; this audit finding will be removed from our Audit Adjustment Total reducing our adjustment amount to \$170,312. This revised audit adjustment total will be reflected in the next future Fee Schedule.

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

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