



DALLAS COUNTY
COUNTY AUDITOR

TO: Bruce Sherbet
Elections Department Administrator

FROM: Virginia Porter *Virginia Porter*
County Auditor

SUBJECT: Elections Department Review

DATE: Issued: August 25, 2010
Released: October 6, 2010

SCOPE

As part of the ongoing review of county departments and compliance with statutory regulations and county policies, we reviewed financial records and reports of the Elections Department of Dallas County for fiscal year 2006 and 2007 as well as status of open contracts and escrow balances through September 30, 2009.

REVIEW PROCEDURES

Standard review procedures were followed to test the internal control for continuity of receipts, cash control procedures and compliance with state statutes and court orders. A random sampling of the total activity was selected for certain audit steps based on risk, the volume of activity and the level of internal control.

A partial list of the review tests include:

- Requested department complete a self-assessment questionnaire
- Examined and verified continuity of receipts for the years under review
- Reconciled cash receipts to deposits for one month each quarter
- Examined voided and altered receipts
- Reviewed receipts for compliance with filed fee schedule
- Compared employees' time sheets to the Kronos time and attendance system
- Reviewed contracts with various entities
- Analyzed escrow general ledger accounts and funds availability
- Examined election payroll backup documentation

REVIEW FINDINGS

Cash Management

Receipts - A review of 322 manual receipts issued or voided during FY06 & 07 revealed multiple instances of altered receipts and three voided receipts without all copies retained.

Assessments - Comparison of fee schedules filed with Commissioners Court and fees assessed on 87 receipts revealed: 11 assessments not in compliance with approved schedules, assessments with inadequate descriptions, and assessments for fees not listed on the fee schedule.

Contracts – Multiple contracts not finalized within the 120 business day contractual obligation.

Escrows - Election payroll clearing account remains un-reconciled. Charges to Chapter 19, administrative and HAVA escrows do not consistently correlate and / or reconcile to court briefing (refer to memos dated 6/3/2009 and 2/11/2010). **Status:** Election payroll clearing account (project #91999) has an unreconciled balance of -747.16 as of 7/31/2010. Unrecognized HAVA program income totaled \$162,550 for FY2009 and \$407,100 for FY2010.

RECOMMENDATIONS

Cash Management

Receipts - Receipts should not be altered but properly voided. All copies of a void receipt should be retained, clearly marked “void”, and affixed with a reason for the void. The supervisor should periodically scan the manual receipt books for proper usage including the accuracy of amount receipted. Receipt books should be controlled and access to cash limited to establish proper accountability and strengthen internal control.

Assessments - Fees should be assessed / collected in accordance with the established fee schedule, state laws, and/or Commissioners Court orders. Fee schedule should be reviewed annually to ensure costs are fully recovered and any new services are incorporated.

Contracts - Charges should be recorded timely and in compliance with contractual obligation. Refunds and/or additional billings should be generated timely.

Escrows - Journal entries to transfer the payroll charges from the clearing account into the appropriate election escrow account should be processed no later than 90 days after the election date. Payroll tax and benefit information is available on Oracle Discoverer. The Elections Department had previously been provided access. Requests from the Elections Department to transfer employee charges and/or process reimbursement to DDA, administrative escrow and/or Chapter 19 accounts require briefing Commissioner’s Court for approval in accordance with County Policy prior to transfer taking place.

CURRENT FINDINGS/OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

Finding templates numbered 08-ED-01-01 thru 03 and responses are attached.

SUMMARY

This report is intended for the information and use of the department. While we have reviewed internal controls and financial records, this review will not necessarily disclose all matters of material weakness. It is the responsibility of the department to establish and maintain effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to the department. Adherence to and follow-through with recommendations should strengthen internal controls and compliance with Dallas County’s policies and procedures.



Finding Number: 08-ED-01-01
Date: July 30, 2008
Audit: Elections Department FY 2006 & 2007
Auditor(s) Assigned: BS, TR

Finding:	Review of 322 manual receipts including 24 voids written during FY06 & 07 revealed: <ul style="list-style-type: none"> • one receipt with no amount written • ten receipt amounts altered to a higher amount (rounded up) • five receipt carbon amounts written over with an ink pen • one voided receipt missing the original and pink copy • two voided receipt missing the original copy • twenty-four voided receipts (all) lacked a reason for voiding • eight voided receipts without a receipt date 					
Work paper Reference: (or other method by which finding was identified)	Work paper 3a, 3b, 3d - Review of receipts					
Condition: (Describe the current condition)	To purchase Election Reports and Election Maps (Precinct/District/County) customers must submit a request either in person, via phone or written correspondence. Once the clerk receives the request the clerk prepares the requested Report or Map and then notifies the customer that their request is ready. If the product is to be picked up, the clerk will collect payment, prepare a receipt, and gives the customer their product. The clerk then places the funds and corresponding receipts into the safe. If the product is to be mailed the customer mails in the cost of product and postage. Once the finds are received, the clerk then mails the product to the customer along with a copy of the receipt. The funds are then placed into the safe along with the corresponding receipt. The administrative clerk then collects the monies and receipts from the safe and prepares a deposit.					
Criteria: (Describe the optimal condition)	Best practices regarding receipt control procedures require that: <ul style="list-style-type: none"> • Receipts should not be altered, but properly voided and affixed with a reason for the void with retention of all voided receipt copies in order to fix responsibility, enhance cash control and prevent potential assertion that monies were paid and refund due. • Supervisor should periodically review manual receipts. • Assigned duties for cash controls are adequately separated. 					
Cause: (Describe the cause of the condition if possible)	Recommended accounting procedures are not followed due to: <ul style="list-style-type: none"> • Incomplete training, lack of written procedures, and clerical error. • Inadequate separation of duties. • No evidence of supervisory review. 					
Effect: (Describe or quantify any adverse effects)	<ul style="list-style-type: none"> • Potential revenue loss to Dallas County. • Payments may be lost, stolen, or misplaced. 					
Recommendation: (Describe corrective action)	Receipts procedures should include: <ul style="list-style-type: none"> • The supervisor should periodically scan the manual receipt books for proper usage including the accuracy of amount received. • Receipts should not be altered but properly voided. If payee chooses to remit more than established fee, additional amount/total collected should be documented on the receipt. • Procedures should be documented and additional training provided to staff on proper receipting processes. • All copies of a voided receipt should be retained, clearly marked "void" and affixed with reason for void. 					
Responsible Department or Organization:	Elections Department					
Management's Response:	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent:	Bruce Sherbet	Date:	9/30/2010
Comments:	See attached					
Disposition:	<input checked="" type="checkbox"/> Audit Report		<input type="checkbox"/> Oral Comment		<input type="checkbox"/> Deleted From Consideration	



Finding Number: 08-ED-01-02
Date: July 30, 2008
Audit: Elections Department FY 2006 & 2007
Auditor(s) Assigned: BS,TR

Finding:	Comparison of fee schedules filed with Commissioners Court and fees assessed on 87 receipts revealed: <ul style="list-style-type: none"> • Eleven assessments not in compliance with established fee schedules • Ten receipts with insufficient details • Twenty-five assessments not detailed on the fee schedule 			
Work paper Reference: (or other method by which finding was identified)	Work paper 3e – Elections Department – Compliance with State Law and fee schedules filed with Commissioners Court			
Condition: (Describe the current condition)	Dallas County Voter Registration clerks issue receipts for purchase of election reports and election maps. During the receipting process, the clerks must perform a manual cost allocation to record and receipt payments to each fee type. Purchases frequently include items not listed on the fee schedule or assessed at an incorrect amount. Updated fee schedules are submitted to Commissioners Court for approval approximately every four years.			
Criteria: (Describe the optimal condition)	<ul style="list-style-type: none"> • Fees are assessed in accordance with established fee schedules, applicable state laws or Commissioners Court orders. • Fee schedules are periodically reviewed and updated. 			
Cause: (Describe the cause of the condition if possible)	Lack of training and supervisory review			
Effect: (Describe or quantify any adverse effects)	<ul style="list-style-type: none"> • Potential loss of revenue to Dallas County • Unreliable and inconsistent records if amounts are unverifiable • Cost reimbursement not assessed/collected for Dallas County 			
Recommendation: (Describe corrective action)	Receipt procedures should include: <ul style="list-style-type: none"> • Fees should be assessed/ collected in accordance with established fee schedules, state laws and Commissioners Court orders. Fee schedule should be reviewed annually to ensure costs are fully recovered and any new services are incorporated into consideration. • Supervisors should periodically review receipts/assessments to ensure adherence to established procedures. • Procedures should be documented and additional training provided to staff on proper assessment processes. 			
Responsible Department or Organization:	Elections Department			
Management's Response:	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent: Bruce Sherbet	Date: 9/30/2010
Comments:	See attached.			
Disposition:	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration	



Finding Number: 08-ED-01-03
Date: 7/30/2008, 5/13/2009, 12/31/2009
Audit: Elections Department
Auditor(s) Assigned: BS, TR, JW

<p>Finding:</p>	<p>Machine Pricing & Contracts: FY 2006</p> <ul style="list-style-type: none"> Review of contract billings revealed cost allocation errors totaling \$778.90 per participant <p>FY 2007</p> <ul style="list-style-type: none"> Review of contract billings revealed: <ul style="list-style-type: none"> billing errors totaling \$13.60 cost allocation errors totaling \$49 per participant Review of mileage rosters revealed the Sheriff was over compensated on two rosters <p>Escrow Accounts Review of balances in various election escrow accounts revealed:</p> <ul style="list-style-type: none"> Ten open election escrows past the 120 business day contractual obligations. Despite previous audit memos, processing delays continue.
<p>Work paper Reference: (or other method by which finding was identified)</p>	<p>Work paper 4a5 – Machine Pricing and Contracts General Ledger and Funds Available Analysis Report Project Numbers 91276, 91316, 91318, 91321, 91322, 91335, 91339, 91340, 91341, and 91342</p>
<p>Condition: (Describe the current condition)</p>	<p>Dallas County Elections Department is contacted by entities wanting to conduct an election. The election department prepares and contracts between the entity and Dallas County, which includes a cost work-up and approval by the District Attorney prior to request for Financial Audit to set-up an escrow account. The entities submit a payment to partially pre-fund expenditures. The payments are deposited by Elections to the escrow account. Charges are assessed during the election as they occur. Once the election concludes, the election accountant gathers all billings/invoices and personnel time to ensure that both have been properly charged. When the election accountant completes the compilation and reconciliation, a comparison is completed in conjunction with Financial Audit. After the final numbers are agreed to, the election accountant sends a final billing letter to the entity, detailing the charges and noting any surplus or shortfall in payments received. When the shortfall is received from the entity or overage disbursed to the entity, the election is closed out.</p> <p>As of 12/31/2009, ten election escrows were open and past the 120 business day contractual close-out obligation after the election.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Best practices procedures require that:</p> <ul style="list-style-type: none"> All election escrow charges should be accurately and timely posted to the general ledger Escrow accounts should be reconciled and final close-out billing submitted in accordance with contracts. Per Section 10.3 of the 'Election Agreement & Election Contract', final election expenses should be determined within 120 business days after the election date.
<p>Cause: (Describe the cause of the condition if possible)</p>	<p>Clerical Error Recommended election procedures are not followed.</p>
<p>Effect: (Describe or quantify any adverse effects)</p>	<p>Potential over/understatement of revenue to Dallas County. Potential over/under payment by participants. Delayed refunds to entities.</p>
<p>Recommendation: (Describe corrective action)</p>	<p>Contract billing procedures should include:</p> <ul style="list-style-type: none"> RMR's and RFP's compared to invoices received from vendors. Charges assessed/allocated in accordance with contract terms Escrow accounts reconciled with final billings or refunds submitted to participating entities in accordance with contract terms. Supervisory review of final closeout reconciliations. Compensating processes to address prior failure to meet contractual obligations.



Responsible Department or Organization:	Elections Department			
Management's Response:	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent: Bruce Sherbet	Date: 9/30/2010
Comments:	See Attached.			
Disposition:	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration	

Review of Election Related Procedures Response 2010

Finding Number: 08-ED-01-03

Machine Pricing & Contracts:

FY2006

- Review of contract billings revealed cost allocation errors totaling \$ 778.90 per participant

Comments: Rental charges are based on prices set @ 10% of the cost to purchase the equipment. This is not an error, based upon the contract section 12.5, no one entity can be charged less than a unit cost to be fair and equitable, therefore, this amount is included in the cost sharing for all participants.

FY2007

- Review of contract billing revealed
 - * billing errors totaling \$ 13.60
 - * cost allocation errors totaling \$49.00 per participant
- Review of Mileage rosters revealed the Sheriff was over compensated on two rosters

Comments: In response to billing errors, I need more detail in order to elaborate on which account was over charged.

Comments: Sheriff's mileage compensation is based on a list we receive from the Election Warehouse and Sheriff's Fiscal department after the election is held. They are compared to their assignments and audit for correct mileage and cost per mile, then they processed by the Auditors office and reimbursed to the perspective departments.

Escrow Accounts:

Review of balances in various election accounts revealed:

- Ten open election escrow accounts past the 120 business day contractual obligations. Despite previous audit memos, processing delay continues.

Comments:

91276- This account was still as of 12/31/2009 not because of the elections department this was an error caused in Financial Audit from an incorrect posting. This journal has been worked on by (3) clerks and was finally corrected in July 2010.

91316, 91318, 91321, and 91322- The remained money due to the County from the State was not received until May 2009 at that time every outstanding RFP was presented to the appropriate department. These accounts weren't until closed June 2010 due to personnel not posted in a timely manner for the Sheriff's Department and County workers who worked as Technicians which the journal was completed by personnel.

91335- This account was closed as of 12/31/2009

91339: This was a recount for the City of Wilmer that was still open as of 12/31/2009. A letter was generated to the City of Wilmer for the outstanding charges but there was a misunderstanding as to who would pay the County, the City or the Candidate, which delayed the account from being closed. We have resolved the issue and have since closed the account.

91340, 91341, and 91342: The RFP were sent over on 7/23/2009 and rental RFP's were sent over to grants on 7/24/2009 by the auditors whom sign for them. There were personnel posting errors between the above accounts that had to be corrected based on the shared cost of personnel. As a result this happening it caused a delay in closing the run off accounts. To correct this problem, we are now using both Departmental reports and Discover reports to ensure charges are being allocated to the correct account and are being posted in a timely manner via email and follow up emails.

Response: All effort is being made to close and complete Election escrow accounts in a timely manner. We are working closely with personnel, financial and grants audit to ensure all charges are posted correctly and timely. We have established a system, all escrow accounts will be reviewed by a Supervisor as we post on each escrow account, and steps are taken if there are any changes needed to finalize and balance the escrow account. Upon completion of the account, a sign off sheet will be sent over to Financial Audit for verification that all postings are correct and completed and that the account is closed. We are keeping in close communication with each department via email and phone calls to keep all accounts current and timely. As a result of this procedure being put into place we are current on all escrow accounts as of 8/30/210.

Fees and Receipt Process

We have reviewed the issues and have conducted additional training with elections department staff addressing the stated concerns.