

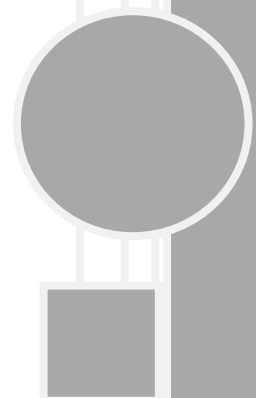


AUDIT REPORT

DALLAS COUNTY

ELECTIONS - FY2018

Darryl D. Thomas
Dallas County Auditor
ISSUED: June 23, 2020
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ELECTIONS - FY2018

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This report is intended for the information and use of the agency/department. While we have reviewed internal controls and financial reports, this review will not necessarily disclose all matters of a 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



DALLAS COUNTY
COUNTY AUDITOR

MANAGEMENT LETTER

Ms. Toni Pippins-Poole
Elections Administrator
Dallas, Texas

Attached is the County Auditor's final report entitled "**Elections - FY2018**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail except to the auditee.

If you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

A handwritten signature in blue ink that reads "Darryl D. Thomas". The signature is written in a cursive style.

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

A review of the Dallas County Elections Department for fiscal year 2018 revealed the significant observations listed below:

Summary of Significant Observations

- Management did not respond to inquiries that could identify potential risks. Audit procedures related to the following areas could not be completed:
 - Revenue/reimbursement variances of 32.30% and 410.47% compared to the estimated budget amount.
 - The physical verification of property inventory.
 - Unable to verify a sample of total capital assets valued at \$14,574,016.
 - An internal control walk-through of department activities.
 - Internal Control Questionnaire related to Purchasing procedures and Professional Services contracts.
- Eight fiscal year 2018 election contracts remained open past the 180 business day contractual obligation period.
 - Four elections with negative balances totaling \$116,150.87 were awaiting final approval of expenses and payment from the Texas Secretary of State.
 - Four elections with positive balances totaling \$464,801.59 were awaiting a final accounting of expenses from the Elections Department.

Status: As of February 13, 2020, all eight fiscal year 2018 election contracts reflect a zero balance.

Repeat observations from Previous Audits:

- Escrows opened past 180 day contractual period
- Entities overcharged for the use of voting equipment

Only those weaknesses which have come to our attention as a result of the audit have been reported. It is the responsibility of the department management to establish and maintain effective internal control over compliance with the requirement of laws, regulations, and contracts applicable to the department.

INTRODUCTION

Dallas County Auditor's Office mission is to provide responsible, progressive leadership by accomplishing the following:

- Comply with applicable laws and regulations
- Safeguard and monitor the assets of the County utilizing sound fiscal policies
- Assess risk and establish and administer adequate internal controls
- Accurately record and report financial transactions of the County
- Ensure accurate and timely processing of amounts due to County employees and vendors
- Set an example of honesty, fairness and professionalism for Dallas County government
- Provide services with integrity
- Work in partnership with all departments to resolve all issues of the County
- Strive to utilize the latest efficient and effective technology in the performance of tasks
- Provide technical support and training in the development, implementation, and maintenance of information systems
- Hold ourselves accountable to the citizens of the County at all times
- Be responsive to the elected officials and department heads of Dallas County

The objectives of this audit are to:

1. Ensure compliance with statutory requirements
2. Evaluate internal controls
3. Verification of accuracy and completeness of reporting
4. Review controls over safeguarding of assets

This audit covered the period of October 1, 2017 through September 30, 2018.

The audit procedures will include interviews with key process owners, observation of transactions processing, data analysis and sample testing of transactions. The main system used will also be reviewed and incorporated as part of the testing of transactions.

DETAILS

Lack of Management Response

During the review of the Elections Department for fiscal year 2018, Internal Audit did not receive requested responses and/or management participation pertaining to revenue/reimbursement variances, the physical verification of inventory, the internal control walk-through or the internal control questionnaire (ICQ) related to purchasing policies/processes.

The detailed Dallas County budget for fiscal year 2018 estimated escrow project revenue to be \$192,000 for Chapter 19 Election Reimbursements and \$148,000 for Election Administration. The actual fiscal year 2018 revenues were \$283,601 and \$755,489, respectively. This represents a 32.30% increase in the Chapter 19 Election Reimbursement revenue and a 410.47% increase in Election Administration revenues over the estimated budget amount.

The Fixed Asset Management Program (FAMP) report indicates that the Elections department has been assigned inventory valued at \$14,574,016 including voting machines, vehicles and various computer equipment. Inventory review includes physically verifying the existence of a sample of the property assigned to the department and comparing serial numbers and/or property tags, as well as, quantities on hand to the amounts indicated on the FAMP report. When this audit procedure is performed, supporting documentation is requested for items that cannot be located.

The internal control walk-through includes observation and inquiry of department staff related to daily Election activities. This process is used to identify and assess the risk associated with the Elections Department activities, such as cash control procedures and compliance with applicable statutes and Dallas County codes. Recommendations to improve compliance and mitigate risks are then suggested to the department.

The Elections Department was given an Internal Control Questionnaire (ICQ) related to purchasing procedures including processes for obtaining Professional Services and reporting conflicts of interest. Responses to this questionnaire are reviewed to identify potential risks, incomplete internal controls or non-compliance with applicable statutes.

Per the Texas Local Government Code Sec. 115.001, the county auditor shall have continual access to and shall examine and investigate the correctness of: the books, accounts, reports, vouchers, and other records of any officer; the orders of the commissioners court relating to county finances; and the vouchers given by the trustees of all common school districts of the county. Due to the scope limitation imposed by a lack of response by the Elections Department to audit inquiries, Internal Audit could not identify potential risks to Dallas County and/or verify any internal controls the department may have implemented to mitigate those risks. The reasons for the significant variances in revenue and reimbursements could not be determined; this may inhibit the ability of Dallas County to accurately forecast these amounts for budget purposes. Further, the inability to physically verify property inventory assigned to the Elections Department deterred Dallas County from identifying capital assets which may have been lost or misappropriated.

Recommendation

Lack of Management Response

Management should:

- Provide requested documentation and/or explanations needed to complete current audit.
- Respond timely to audit requests for information/documentation.

Management Action Plan

- The Dallas County Elections Department (DCED) plans to provide requested documentation and/or explanations needed to complete audits
- The DCED plans to respond timely to audit requests for information/documentation as requested.

Auditors Response

None

Machine Pricing & Contracts

A review of 26 rental fee invoices and 14 open Elections contracts revealed that the rental fee for the Gemini voting booth equipment on one request for payment was overstated by \$5 per item, resulting in a total overage charge of \$8,750 and there was no fee schedule listing the rates for primary elections. Additionally, eight fiscal year 2018 election contracts remained open past the 180 business day contractual obligation period: four elections with negative balances totaling \$116,150.87 were awaiting final approval of expenses and payment from the Texas Secretary of State and four elections with positive balances totaling \$464,801.59 were awaiting a final accounting of expenses from the Elections Department. **Status: As of February 13, 2020, all eight fiscal year 2018 election contracts reflect a zero balance.**

Per Texas Election Code section 123.032, if a political subdivision desires to lease equipment owned by a county in which the political subdivision is wholly or partly situated, the county shall lease the equipment to the political subdivision under the terms agreed to by the parties. The maximum amount that a county in which a political subdivision is wholly or partly situated may charge the political subdivision for leasing county-owned equipment is 10 percent of the purchase price of the equipment for each day the equipment is leased. Election Code section 123.033 limits the amount that can be charged for primary elections to \$5 for each unit of electronic voting system equipment installed at a polling place; and \$5 for each unit of other equipment not specified elsewhere in the subsection. In addition to the amount a county may charge for leasing its equipment for a primary election, a county may charge a county executive committee for the actual expenses incurred by the county in transporting the equipment to and from the polling places; preparing the equipment for use in the primary election; and operating a central counting station for the primary election.

Per General and Joint Election agreements/contracts signed in 2018, the Elections Administrator will determine the final expenses within 180 business days after the final canvass of the General (Gubernatorial) and Joint Election or the runoff election, if any. The Elections administrator will provide each Participating Political Subdivision with a final, written accounting of all money that was deposited into, and payments that were

made from, the General (Gubernatorial) and Joint Election account(s) maintained by the Dallas County Treasurer for this General (Gubernatorial) and Joint Election and the runoff election, if any.

Per the Primary and Runoff Election agreements/contracts signed in 2018, as soon as reasonably possible after the election or the runoff election, the contracting officer will provide to the party a copy of the itemized invoices that the contracting officer submits to the Secretary of State (SOS) for the actual election expenses incurred and for the contracting officer's fee.

Inadequate staffing levels to manage the volume of work have resulted in election contracts being closed in excess of the contractually agreed upon 180 day obligation period. Additionally, a lack of management review to identify and correct clerical errors in invoiced expense amounts resulted in an overpayment of election expenses.

Recommendation

Machine Pricing & Contracts

Management should:

- Document updated fees and equipment charges for Primary Elections on the Elections fee schedule.
- Account for the final election expenses and if applicable refund overpayments to entities.
- Review the requests for reimbursement that are charged against the elections projects to ensure that amounts reflect statutorily approved fees in effect.
- Fill vacant positions and review staffing levels to determine if additional positions are needed to manage the volume of work.

Management Action Plan

- Management plans to provide the Court with an updated fee schedule for equipment and services provided by the DCED
- The DCED agrees with the recommendation of adding additional staff and plans to conduct a reorganization and create three new Accountant positions due to so many general and contracted elections and also due to the fact that special elections can be called within 120-days of any vacancy in public office.

Auditors Response

None

CWR Computer Receipts

A review of six County Wide Receipting (CWR) system transactions voided during fiscal year 2018 revealed two computer receipts were issued and voided by the same employee including one receipt that was voided more than 17 hours after the original receipt was issued. This receipt was reissued after five business days for \$3 less than the original receipt amount. One additional computer receipt was voided more than 16 hours after issuance of the original receipt. Five computer receipts were deposited between six and 10 business days after the department receipt date.

Specific control procedures related to the issuance of receipts indicate that adequate segregation of duties should exist between personnel authorized to receipt payments, void payments and prepare the deposit, so that no one user performs two or more business processes that could result in compromise of the integrity of the process or allow that person to commit and conceal fraud. All monies received should be promptly receipted and deposited properly, and timely in accordance with Local Government Code (LGC) § 113.022. Per Dallas County Code Sec 74-691, official receipts shall be written or generated immediately for all collections made in the official capacity of the various offices of the county.

Lack of written receipt procedures and inadequate employee training has resulted in delays in revenue recognition. Additionally, inconsistent supervisory oversight of voided transactions and incompatible computer system roles has led to an inadequate segregation of duties that increases the potential that funds may be lost or misappropriated.

Recommendation

CWR Computer Receipts

Management should:

- Implement a process that requires supervisor approval/sign off on all voided or cancelled transactions.
- Segregate duties such that the same person is not able to receipt and void transactions.
- Process deposits timely consistent with L.G.C. § 113.022.

Management Action Plan

- DCED agrees with the Auditors recommendations and plans to create a cashier position to handle deposits on a daily basis. DCED has already added an additional supervisor position to the DCED Voter Registration section to aid in overseeing that deposits are made in a timely manner. DCED will also ensure that these duties are segregated and that checks and balances are being followed.

Auditors Response

None

Chapter 19 Reimbursement Request

A sample review of three requisitions for Chapter 19 reimbursement requests revealed one RFP was approved by the same employee that requested the reimbursement of expenses; itemized meal receipts were not retained for conference meals for four employees; one timesheet for a temporary employee did not have the employee's signature; and the expenses on four request for payment (RFP) forms related to employee conference travel were submitted with a budget code that differed from the code that was briefed to Commissioners Court. **Status: After notification from Internal Audit, journal entries were processed to the correct budget code.**

Neither the State Chapter 19 Funds nor Dallas County issues advanced travel funding for meals. Elections employees pay for their meal expenses while traveling for business and then submit a request for payment (RFP) to the Auditor's Office to receive reimbursement. The Elections Department also submits an expense report to the Texas Secretary of State to request that the meal expense amounts be reimbursed to Dallas County. The sample review identified that the meal reimbursement amounts requested by the Elections Department for three individuals differed from the reimbursement amounts requested from the State Chapter 19 Reimbursement Funds: the meal expenses for two employees were overpaid by \$28.69 and the meal expenses for one employee was underpaid by \$8.00 from the Chapter 19 Reimbursement Funds.

Per Chapter 19 Funds Travel Reimbursement Basic Guidelines, the county will be held to the state lodging, mileage, and per diem rates or the county rates, whichever is less; all reimbursements are limited to the actual cost of meals. The County will need to keep travel receipts; claims may not include: alcoholic beverages, tips, room service, or expenses for any person other than traveler.

According to Texas Administrative Codes §81.21 and §81.23, all supporting documentation must be maintained at the county level and made available to the Texas Secretary of State upon request for three state fiscal years after the fiscal year in which the funding lapses. Supporting documentation that must be maintained by the county includes but is not limited to invoices from the vendor and a copy of the county paid voucher, ledger or bank statement substantiating the payment. The signed timesheet required by TAC §81.22 relating to the use of Chapter 19 Funds for temporary employees will be considered a "vendor's invoice" for purposes of this rule. Any documents relating to the Chapter 19 requests must also be retained. Reimbursement of Chapter 19 Funds will be made based on actual costs. Lodging, per diem, and mileage rates may not exceed those set by the Texas Comptroller of Public Accounts. Travel reimbursement requests must include the itemized amounts for airfare, rental cars, mileage, meals, lodging, seminar registration fees, and miscellaneous expenses. All receipts must be maintained in accordance with TAC §81.21.

Lack of management review to identify and correct clerical errors have resulted in the submission of inaccurate expense reports, which could lead to a reduction of future Chapter 19 reimbursement amounts from the state in order to correct overpayments or a loss of funding to Dallas County for reimbursable amounts that were not claimed. Additionally, the incomplete segregation of duties between an individual's ability to request reimbursement and the ability to authorize payment of the reimbursement could lead to a loss of funds to Dallas County for expenses approved without appropriate review

Recommendation

Chapter 19 Reimbursement Request

Management should:

- Adhere to Election Code, Chapter 19, and the Texas Administrative Code, Title 1, Chapter 81 Elections guidelines as it relates to the reimbursement of travel expenses.
- Submit and retain supporting documentation for Chapter 19 expenses such as, but not limited to, itemized meal receipts, airline tickets, mileage, and timesheets up to three state fiscal years after the fiscal year in which the funding lapses.
- Provide itemized documentation to the Auditor's Office when submitting request for payments.
- Review paperwork submitted to the Auditor's Office to ensure documents have been properly filled out, include accurate budget codes and appropriate authorized signatures.
- Ensure that supervisory level employee other than the individual submitting a request for payment signs as authorizing the payment.

Management Action Plan

- DCED will ensure that RFP and SOS form matches.

Auditors Response

None

Manual Receipts

A review of all six of manual receipts issued during fiscal year 2018 revealed that one manual receipt for a check in the amount of \$126.86 was recorded in the County Wide Receipting System (CWR) five business days after issuance. Per Dallas County Code Sec 74-691, official receipts shall be written or generated immediately for all collections made in the official capacity of the various offices of the county. Internal control procedures indicate all manual receipts should be accounted for, issued in numeric order, have the corresponding computer receipt attached, are posted and deposited daily and timely in accordance with Local Government Code, § 113.022 and include supervisory review. Manual receipts should be verified for accuracy, including the amount, tender type, transaction date and payer name fields before issuing to a customer. Manual receipts are written only during system downtime. Once the system is restored, the payments are posted to the system and the manual receipt numbers are entered into the Comment field. Inconsistent employee training and supervisory review related to the manual receipt process, as well as, a lack of written manual receipt procedures has resulted in delayed revenue recognition and increased the potential that a loss/misappropriation of funds could go undetected.

Recommendation

Manual Receipts

Management should:

- Limit the use of manual receipts to CWR system downtime.
- Establish written procedures for processing manual receipts.
- Train employees on manual receipting procedures.
- Periodically review manual receipt books for completeness and proper posting to CWR.

Management Action Plan

- DCED plans to continue using CWR.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator