



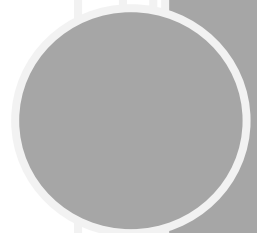
AUDIT REPORT

DALLAS COUNTY

Elections Internal Controls Review - FY2021

Darryl D. Thomas
Dallas County Auditor

ISSUED: 1/21/2021
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Elections Internal Controls Review - FY2021

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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

Mr. Michael Scarpello
Elections Administrator
Dallas, Texas

Attached is the County Auditor's final report entitled "Elections Internal Controls Review - FY2021" Report. In order to reduce paper usage, a hard copy will not be sent through in house mail except to the auditee.

In 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,

Darryl D. Thomas

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) established the five component internal control framework known as the COSO framework to assist businesses/organizations in establishing and measuring the effectiveness of their systems of internal control. As defined by the COSO model internal control is " a process effected by an organization's...management and other personnel designed to provide reasonable assurance of the achievement of objectives related to three categories: operational effectiveness and efficiency, financial reporting reliability, and applicable laws and regulations." **The tenure of the current Elections Administrator began December 7, 2020. This report reflects the controls and procedures in effect during the prior administration.**

This report evaluates the Elections Department's internal controls within the five components of the COSO framework. These components and a brief description are included below (www.coso.org):

Control Environment

The control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. This component is more commonly referred to as the "tone at the top". Management establishes the importance and expected standards as it relates to internal controls.

Risk Assessment

The risk assessment component involves the organization's ability to identify threats to the achievement of its objectives. An organization should consider risks related to the potential for fraud and changes in the operating environment that significantly impact the system of internal controls. This identification of risk is the basis for determining how the risk will be managed.

Control Activities

An organization selects and develops control activities to mitigate risks to the achievement of objectives to acceptable levels and develops general control activities over technology to support the achievement of objectives. These control activities are deployed through policies and procedures that establish what is expected within the organization.

Information and Communication

The information and communication component of the COSO framework addresses an organization's ability to generate and use relevant, quality information related to internal controls and how this information is communicated to internal and external stakeholders. This information would include the organization's objectives and responsibilities for internal control and matters affecting the functioning of internal control.

Monitoring Activities

The monitoring component involves an organization developing and performing ongoing evaluation to determine if established controls are functioning and communicating internal control deficiencies in a timely manner to parties responsible for taking corrective action.

The remainder of this report identifies weaknesses in the Elections Department's system of internal controls and suggest recommendations to mitigate the risks to the achievement of the organization's objectives. Only those weaknesses which have come to our attention as a result of the internal control review have been reported. It is the responsibility of the department's management to establish and maintain effective internal control over compliance with the requirement of laws, regulations, and contracts applicable to the department. While an effective system of internal controls may mitigate risks, management override and employee coordination present inherent limitations such that high level personnel or employees working cooperatively may be able to override prescribed policies and procedures.

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.

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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 review are to:

1. Evaluate internal controls
2. Review controls over safeguarding of assets

The audit procedures will include interviews with key process owners, observation of transactions processing, data analysis and sample review of department records.

DETAILS**All Funds Received Submitted Timely for Deposit****Objective**

Per Local Government Code 113.022, a county officer or other person who receives money shall deposit the money with the county treasurer on or before the next regular business date after the date on which the money is received. If this deadline cannot be met, the officer or person must deposit the money, without exception, on or before the fifth business day after the day on which the money is received.

Control

No preventative controls to mitigate the risks that funds were deposited beyond the statutorily prescribed time period were identified.

Internal Control Review Findings

- Funds were held more than five business days prior to deposit.
 - An unscheduled cash count performed at the Elections Department on December 10, 2020 revealed three checks totaling \$280,583.31 were receipted in the County-Wide Receipting (CWR) system on December 1, 2020. However, the funds had **not** been transmitted to the Dallas County Treasurer's Office for deposit. **Status: Checks were deposited on December 10, 2020.**
 - A sample review of 50 receipts selected at random for comparison of the receipt dates to the deposit dates identified funds related to 25 receipts were deposited in excess of five business days after the initial receipts. This included eight receipts totaling \$28,100.26 that were deposited between 19 and 41 business days after the initial transactions.
 - Four check/credit card payments totaling \$27867.14
 - Four cash payments totaling \$233.12
- Funds collected were **not** verified at the end of each business day.
- Department did not have a formal process receiving funds through the mail.
 - No specific employee was designated to receive and open mail.
 - Mail was opened by anyone in the department.
 - Mail that includes checks can go through several employees before being given to the correct employee for processing.
 - Department did not maintain a mail log.



Risks

A lack of internal controls related to the processing and deposit of monies received has resulted in funds being deposited inconsistent with LGC 113.022 and increased the risk that funds may be lost or misappropriated. Additionally, delays in the closure of escrows resulted from escrow-related funds not being deposited immediately.

Recommendation

All Funds Received Should be Submitted Timely for Deposit

Management should develop and implement internal control procedures:

- Consistent with the deposit requirements of LGC 113.0022
- Segregating the duties of employees such that no one employee is assigned incompatible duties related to the processing of receipts.

Management Action Plan

- Currently, the Elections Department has two budgeted positions (Accountant | - Grade 12, Accounting Clerk IV - Grade 9) that generally deal with accounting transactions. However, neither job description lists the collection nor tracking of funds as a specified duty. Through the years, the specific duties associated with the timely deposit of funds has been passed back and forth between various positions in different departments as vacancies have occurred. These roles have been fairly stable for the last three years and I've been told that the written Procedures associated with funds have been followed for the most part. However, the volume issues associated with the 2020 Presidential Election cycle resulted in certain people not following the written procedures. In addition, there is no management oversight to make sure these procedures are being followed.
- Since this audit, I believe the Elections Department has been following the written procedures. However, we currently lack the management structure to assure compliance. But, we have plans to address that lack of structure as we will soon have an Administration Manager overseeing the employees performing these tasks.

Auditors Response

None

Assessment/Collection of All Funds Due to Dallas County for Election Services

Objective

The Dallas County Elections Department has the responsibility to accurately bill contracting entities/political subdivisions for use of Elections services and equipment. The costs to be assessed to contracting entities should be based on the cost recovery method.

Control

The internal control review did **not** identify any processes or detective controls to ensure the amounts billed to entities recouped the costs of Elections services.

Internal Control Review Findings



Last Elections Services and Equipment fee list approved by the Dallas County Commissioners Court was in 2017.

The Elections Department has not been charging entities for use of Election equipment resulting in a loss of revenue to Dallas County.

Risks

Inconsistent management oversight and monitoring has resulted in inaccurate billings that do not reflect the amount due to Dallas County for the use of Elections equipment. Further, the lack of cost recovery may result in the need to use an alternate funding source to replace equipment as it becomes obsolete/inoperable.

Recommendation

Assessment/Collection of ALL Funds to Dallas County for Elections Services

Management should:

- Submit a new fee list to Commissioner's Court for approval on an annual basis, even if there is no change.
- Establish a review process for amounts billed to contracting entities.

Management Action Plan

- In 2019 and 2020, the department purchased over 25 million dollars' worth of new elections equipment but the department did not develop a new price list to start to recoup the costs to acquire the equipment. As part of my internal review and prior to this audit report, the Elections Department started to prepare and eventually submitted a new price list to Commissioners Court in February 2021 and received approval to use the new price list. That price list will be used for the first time when Dallas County bills jurisdictions for their participation in the 2021 Joint Election.
- In 2019, Dallas County converted from a polling place model to conduct elections to a vote center model, where voters can vote at any location in the County. Because voting locations were no longer tied to a particular jurisdiction, a change in the formula for how to distribute the costs of the election was needed. In response, in 2021 the Elections Department implemented a new billing model where the costs of the elections were distributed to jurisdictions based on the percentage of registered voters participating in the election. This is the same model that has been implemented by the vast majority of Texas counties who have implemented the vote center model. We plan to establish a yearly review of the model and the amounts billed to contracting entities that coincides with our annual budget cycle.

Auditors Response

None

Employees Skilled/Trained to Perform Job Duties

Objective

According to the Government Accountability Office (GAO), an entity should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objective. Policy and procedures should be implemented to run operations, accomplish goals, and prevent fraud. Principle 4 of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) further states the control environment in an organization should demonstrate a commitment to attract,



develop, and retain competent individuals in alignment with objectives. Key factors emphasize management should hire and assign people that have the qualifications to do the job.

The American Institute of Certified Public Accountants (AICPA) defines the segregation of duties as the basic building block of sustainable risk management and internal controls. The principle of segregation of duties is shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department.

Control

The Human Resources (HR) Dallas County Job Descriptions provide generic evaluation criteria for the minimum job qualifications an applicant must have to be considered for a position. However, the generic nature of the descriptions and the permissibility of substituting experience and education creates an environment in which an applicant may be hired or promoted without having the basic knowledge and skills to fulfill the requirements of the job. Beyond the minimum HR requirements and federal employment policies, the Elections Administrator has significant latitude in the selection of applicants to fill vacant positions.

The Internal Control Review did **not** identify any consistent processes related to employee training.

Internal Control Review Findings

- Employees in financial/accounting positions did not have the financial backgrounds to complete daily job duties
- Employees assigned incompatible job duties such as those related to performing the accounting and auditing function of a process
- Employees did not receive regular feedback/job evaluations
- No written policies/procedures to guide Elections employees
- Employees did not receive formal training on required job duties/tasks
- Employees lacked clarity as to the specific tasks and duties of their assigned positions

No formal plan was established to determine the requisite mix of staffing needs to meet department objectives (full-time/part-time/temporary/contract)

Risks

Due to internal control vulnerabilities in the selection, hiring, promotion and training of employees, administrative duties related to the daily operations of the Elections Department including the financial responsibilities and obligations either may not be completed or may be performed in an inaccurate or untimely manner. Without adequate separation of duties, fraud and error may occur without timely detection.

Recommendation

Employees Skilled/Trained to Perform Job Duties

Management should:

- Provide employees with guidance as to the specific responsibilities of their positions and the expectations for carrying out those duties.



- Provide the necessary training for employees to complete their assigned job duties and inform them of new policies/processes that may impact their daily tasks.
- Periodically review performance of all employees to determine whether or not the essential requirements of their jobs are being met.
- Develop written policies/procedures documentation to assist in training employees.

Management Action Plan

- My internal review found similar issues and I am in agreement with, this finding. In response, we implemented a department reorganization. Please find attached a "Department Reorganization Summary" which briefly explains various organizational issues identified that are hindering the Elections Department's effectiveness and describes the planned organizational and personnel solutions intended to improve the Department.
- Other future Elections Department plans that will address the this Review's findings include: i. All Department policies, procedures, and election tasks will be documented in a standard format and ultimately maintained in an internally developed software application. ii. Management will assess the skill sets and qualifications of the Department's employee's to check for alignment with the employees job duties. Additionally' I will be seeking the help of the HR Department to correct the generic nature of job duties for the elections department employees. iii. The Department's personnel policies and procedures related to employee job performance will be revised and fully implemented. iv. The newly formed internal Training Department will focus not only on the training of poll workers, but also on internal training of full and part time staff members. v. The Elections Analyst position will assist managers in establishing the requisite mix of staffing needs for their individual departments and for the department as a whole in order to meet department objectives.

Auditors Response

None

Access to Election's Department Computer Systems Limited /Secured

Objective

Per the Institute of Internal Auditors (IIA), one of the most important internal controls an organization should establish is access control which are the doorway to all IT systems. Access controls specify how the entity will monitor its IT resources and how they should be used. The most commonly used access controls include user accounts consisting of passwords and usernames; login and resource access rights and the establishment of privileged system access.

Control

Per Dallas County IT Security Access Control Policy, account passwords must never be shared or revealed to anyone else besides the authorize user. Most systems used in the Elections Department can be accessed utilizing an authorized user's single-sign on password. The system automatically requires users to change passwords every 90 days. An exception to the single sign-on and required password change involves accessing the KRONOS payroll timekeeping system.

Internal Control Review Findings

- Oracle and Windows passwords/credentials have been shared with temporary employees to assist with payroll.



- Employees either verbally communicate credentials to non-authorized users or input credentials allowing access to non-authorized users

Risks

Inability to assign accountability for transaction if non-authorized users may access and modify records related to timekeeping or other financial reporting resulting in unauthorized disbursements or financial transactions. Dallas County may be liable for unauthorized use and disclosure of sensitive data such as personally-identifiable information.

Recommendation

Access to Election's Department Computer Systems Limited/Secured
Management should:

- Emphasize Dallas County policies related to sharing system access credentials.
- Contact the IT service desk to obtain usernames and passwords for each new seasonal/contract employee that needs access to Dallas County Network.
- Have employees sign a document acknowledging understanding of Dallas County policies related to the sharing of passwords/network credentials.

Management Action Plan

- As part of the Department's reorganization, we worked with the County CIO to establish the Elections Department Technology Division which will be run by an Assistant Chief of the County's Information Technology Department. Three other IT Department employees will also be hired and will be housed at the Elections Department where they will work with Elections Department employees to manage our technology infrastructure. The IT Division will work to our IT access controls and ensure that with
- The person filling the Assistant IT Chief position has been hired and will be starting work in the middle of May.

Auditors Response

None

Election's Property Accounted For/Secured

Objective

According to Dallas County Code Section 90.373, all department heads and elected officials are responsible for maintaining property assigned to their department, proper inventory records, and making appropriate reports as required. It is the sole responsibility of the elected official/department head to which property is assigned to maintain a proper accounting of all property through proper inventory records.

Control

The Internal Control Review did **not** identify any preventive or detective controls that would ensure that all property assigned to the Elections Department was accounted for.



Internal Control Review Findings

- Department did not have control procedures for maintaining property inventory that includes walkaway items such as iPads, laptops, and cellphones.
- Periodic inventory counts/inspections of walkaway items were **not** performed.
- Department did not track or maintain a property inventory listing
- iPads assigned to department were missing.
No specific employee at the warehouse was assigned to receive shipments
- Department did not perform routine physical inventory counts/inspections on election voting equipment
- Warehouse entrance where election equipment was stored was not secured

Risks

A lack of internal controls related to the maintenance of property inventory records has resulted in an inability to assign accountability for missing inventory items and increased the potential for additional loss/misuse of Dallas County property.

Recommendation

Election's Property Accounted For/Secured

Management should:

- Perform periodic inventory counts/inspections of small walkaway items, which are not maintained on the fixed assets property listing.
- Develop policies and procedures detailing processes for tracking and maintaining the department's inventory and election voting equipment
- Develop clear written procedures related to receiving shipments in the warehouse
- Inspect/count election voting equipment before and after each election.

Management Action Plan

- Our internal analysis revealed similar findings regarding the "walkaway" items listed in the report as well as a lack of inventory control for more significant items including the Department's 25 million dollars' worth of election equipment. In response, we have given certain individuals the responsibility of maintaining the inventory of various pieces of equipment and hope to complete the inventory of equipment after the June Runoff Election.
- We've conducted an internal audit of the inventory of various pieces of hardware and found several missing items. In response, we are preparing a report to be submitted to the appropriate authorities for investigation..
- The Elections Department utilizes inventory control software but it is not being used effectively. We are assessing the software to determine whether it has the capabilities to handle our inventory needs and whether we are not using it properly. Once we make a determination, we will either abandon that software or implement new procedures to utilize it more effectively.

Auditors Response

None



Personally Identified Information (PII) Secured

Objective

The National Institute of Standard and Technology (NIST) defines personally identifiable information (PII) as any information about an individual, including any information that can be used to distinguish or trace an individual's identity, such as social security number, date and place of birth, mother's maiden name or biometric records; and any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information. NIST further emphasizes that PII should be protected through a combination of measures, including operational safeguards, privacy-specific safeguards, and security controls.

Control

Per Dallas County IT Security Policy section 4.3 Clear Desk and Clear Screen policy, when left unattended during business hours, desks shall be clear of all documents classified as "Confidential, Sensitive, or Privileged" and during non-business hours, all documents classified as "protected" or "confidential" will be stored in a secure location. When left unattended during business hours, device displays should be cleared and locked to prevent viewing.

Internal Control Review Findings

- The Voter Registration section was in an open area accessible to anyone. Personally identifiable information of voters such as social security numbers, birth dates, drivers' license numbers, and addresses were within view of anyone in the area.
- Documents with personal voters information was left on clerks' desks without being properly secured.
- Voter Registration employees did not lock their workstations/computers when leaving their desks

Risks

Lack of internal controls related to securing PII exposes Dallas County to potential financial liability and reputational risk for the unauthorized disclosure of sensitive information.

Recommendation

Personally Identifiable Information (PII) Secured

Management should:

- Trained staff on IT Security Policy to ensure the privacy of Dallas County and its citizens
- Train staff to lock computers when employee is away from their workstation.
- Emphasize the importance of securing PII at all times

Management Action Plan

- As part of the ongoing Elections Department reorganization, the Department will undergo some specific training for employees on the sensitive nature of information handled by staff and the corresponding rules on how to protect private information.
- We explored modifying the physical layout of the voter registration area to make it more secure but facilities believes such a solution is cost prohibitive. Consequently, we will provide security of PII through procedures rather than through physical barriers.



Auditors Response

None

Accurate Financial Reporting - Election Escrows

Objective

General and Joint Election agreements/contracts indicate that 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.

Primary and Runoff Election agreements/contracts indicate that 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.

Control

The internal control review did **not** identify any controls or monitoring activities to ensure that contracting entities/parties receive itemized statements of cost in a timely manner.

Internal Control Review Findings

- Election escrows remain open in excess of contractually agreed upon time period
- Elections revenue recognition delayed
- Delayed refunds to contracting entities/parties
- Inconsistent managerial review of itemized costs
- Workload of limited financial/accounting staff inhibits timely completion or escrow-related duties
- Delayed deposit of funds related to open escrows

Risks

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. The delays could result in financial losses to Dallas County for unrecoverable amounts for services already rendered. Additionally, a lack of management review to identify and correct clerical errors in invoiced expense amounts may result in an overpayment of election expenses by contracting entities.

Recommendation

Accurate Financial Reporting-Election Escrows

Management should:

- Establish written procedures for closing Escrow Accounts



- Close accounts within the contractually agreed upon period after the election date
- Evaluate tasks/duties assigned to accounting personnel and staffing levels to ensure responsibilities related to the closing of escrows can be completed timely
- Ensure funds associated with escrows are deposited consistent with LGC 113.022.

Management Action Plan

- We are in agreement with this finding as our initial review found that escrows remain unclosed from 2019. In addition, the expenditures related to the most recent 2020 Presidential Election were not documented or tracked against the Department's budget correctly, and over '17 million dollars of expenditures related to two grants was not tracked properly. Consequently, our office, with the assistance of County Budget staff members have spent several months trying to straighten out our records but have struggled to do so.
- We are in agreement that the tasks/duties assigned to personnel and the staffing levels to accomplish our work needs to be evaluated. As mentioned in responses to earlier issues in this report, we have adjusted our organizational structure and obtained permission to hire a new Administration Manager to manage our fiscal operations. That person will lead our efforts to evaluate fiscal duties of staff members. In the meantime, our fiscal task deficit continues to grow as our Accountant I position remains vacant as we have struggled to find anyone with the required skills to accept the position.
- The Department is in need of some employees of a higher grade, perhaps with some accounting background to assist with the proper reporting and closing out of these financial reports. The Department is open to suggestions on how to help us get our financial house in order. We would like to explore bringing in an outside accounting firm or to obtain help from the auditor's office to help us take on this backlog of work and to assist the Department in setting up sound financial processes that our staff can follow on an ongoing basis.

Auditors Response

None

Accurate Financial Reporting - Payroll/Human Resources

Objective

Fair Labor Standards Act (FLSA) 29 CFR Part 516.2 (12)(c) states every employer shall maintain and preserve payroll or other records containing the exact schedule of daily and weekly hours. Many employees work on a fixed schedule from which they seldom vary. The employer may keep a record which indicates that the worker did follow the schedule. When a worker is on a job for a longer or shorter period of time than the schedule shows, the employer must record the number of hours the worker actually worked, on an exception basis. The FLSA also establishes the defining criteria for classifying employees as either exempt or non-exempt, with non-exempt employees being provided minimum wage and overtime protections.

According to the "Election Agreement and Election Contract" section 14 Criminal Background Checks, any person that does not satisfactorily pass the criminal background check will be ineligible to serve in the election processing.

Control

Per Dallas County Code Section 82, employees, who are designated by their department to use time sheets, shall record their time and attendance on the appropriate form. In addition, employees will provide their complete time sheet forms to their department's time and attendance representative. Each elected official/department head is held accountable for the utilization and accrual of overtime and compensatory time in their departments. This accountability includes ensuring that employees do not accrue excessive amounts of overtime/compensatory time and that if accrued, it is not carried forward year after year.



Supervisors are responsible for ensuring employee time records are accurate and that no abuses occur. Only supervisors have the authority to correct an employee time record error or omission. Supervisors are responsible for recording employee vacation and sick time and for entering time for employees who are working outside their department work area. Supervisors are responsible for checking daily start times, meal periods, end times, vacation time, sick time, compensatory time and overtime to ensure employees are in compliance with their shift work schedule and the county's overtime policies.

Human Resources (HR) performs job evaluations to determine the job classification and grade assigned to positions based on the required duties and responsibilities.

Internal Control Review Findings

Best practice internal controls suggest that the organization provide check and balances by segregating the duties of accounting functions and other areas that deal with sensitive data. No single person should create and approve payroll transactions. The internal control review revealed:

- Lack of controls over approval of timesheets for contract employees
- No pre-employment documentation required to be inputted in Oracle prior to contract staff beginning to work on elections.
- As long as an individual passed a background check they were permitted to begin work the same day and submit a paper/manual timesheet.
- Lack of control over time spent by contract staff on-site
- Lack of segregation of duties over payroll and human resource functions

The Clerk II (Grade 6) is a non-supervisory position assigned:

- Both payroll and human resources responsibilities
- To enter the time for exempt employees into Kronos
- Duties to approve department employees time in Kronos
- To onboard new employees in Oracle
- Clerk II entered time in KRONOS for a family member
- No supervisory review of time entered on Kronos
- Explanations for overtime were inconsistently listed on the manual timesheets for permanent employees.
- Manual time records used to process payroll for seasonal workers

Regional Site Manager does not review the timesheets at the poll to verify if they were filled out properly by the employee and election judge prior to submitting the documents to the Elections Payroll Clerk

Risks

Lack of segregation of duties and managerial oversight related to the onboarding of new employees and the entry and approval of time records increased the possibility that payments could be disbursed in inaccurate amounts or to ghost employees. Non-adherence to Dallas County time and attendance approval policies and job duties outlined in HR job descriptions may result in employees with assigned responsibilities beyond the scope of their job classifications. The expansion of job duties without corresponding pay may open Dallas County to litigation for unfair wage practices.



Recommendation

Accurate Financial Reporting - Payroll/Human Resources

Management should:

- Establish departmental procedures and policies for seasonal/contract workers that adhere with Dallas County Code Chapter 86 Personnel Benefits, Payroll, and Compensation
- Establish a segregation of duties to ensure that no single person can both create and approve payroll transactions.
- Implement an electronic payroll system that can capture time worked by seasonal workers and assist with processing payments.
- Review and approve time entered in KRONOS

Management Action Plan

- I am in agreement with the Report's findings regarding timesheets and the lack of control over the time of contract employees. We have put temporary measures in place to better track these timesheets. Moreover, my preference is to eliminate the use of contract employees altogether and rely on part time employees and temp agencies to provide needed labor as the infrastructure to manage those employees is established and more stable. However, labor shortages are preventing the elimination of contract workers and we will continue their use until we find alternative sources of labor.
- This item has been a major problem for this department. The department hopes that the Auditor's Office can lend its help and expertise to streamline this process. Long term, the department hopes the acquisition of the Oracle ERP currently being discussed will go a long way towards helping the Department with this thorny issue.
- I am in agreement that the Clerk II position for the management of personnel is problematic. The hiring of an Administration Manager should help somewhat to address short term issues, but that Manager will also be tasked with evaluating the long term staffing needs to manage our personnel tasks.
- We are currently working with a vendor to phase out the paper based processing of payroll sheets from employees at polling locations and hope to implement an electronic timesheet system by the 2022 Primary Election.

Auditors Response

None

Accurate Financial Reporting - Purchasing Responsibilities

Objective

The American Institute of Certified Public Accountants (AICPA) defines the segregation of duties as the basic building block of sustainable risk management and internal controls. The principle of segregation of duties is shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department.

Control

Specific controls related to Oracle user responsibilities should include adequate segregation of duties so that no one user performs two or more business processes that could result in a compromise of the integrity of the process or allow that person to commit and conceal fraud.



Internal Control Review Findings

- Purchasing clerk is a non-supervisory position assigned:
 - To order items thru Oracle
 - Receive items purchased
 - Verify the receipt of items purchased
 - Authorize payment of purchases

Risk

A lack of internal controls related to the segregation of duties over Purchasing may lead to unauthorized expenditures or misappropriation of County resources. A lack of written procedures related to the purchasing responsibilities may result in duties related to financial obligations being carried out in an inaccurate or untimely manner. Further inconsistent managerial oversight may result for uncorrected clerical errors.

Recommendation

Accurate Financial Reporting - Purchasing Responsibilities

Management should ensure key purchasing functions are assigned to more than one person in the department.

Management Action Plan

- The Department has one Grade 6 clerk that handles the various and numerous purchase matters for the department. The new Administration Manager will evaluate the segregation of duties issues within the Administration Department and / or seek the advice of the Auditor's Office with either upgrading this position and / or hiring other staff to assist with this problem.

Auditors Response

None

Improve on the Delivery of Election Services

Objective

The mission of the Elections Department is to conduct reliable elections and accurately maintain voter registration records for Dallas County's citizens. Uphold the laws, policies and court decisions of federal, state, and local jurisdictions. Commit to excellence and competence by maintaining the highest level of knowledge and expertise in the election process. Maintain public confidence in honest and impartial elections. Provide equal opportunity to participate in the democratic process. Responsible for just and equitable treatment to the general public, elected and appointed officials and county staff. Maintain a positive role in community relations by being accessible, informative and receptive to both individual citizens and groups. Protect the public's interest from manipulation for personal or partisan gain while respecting the rights of all. Maintain a productive and efficient operation through a well-managed election environment through actions and communication. Maintain the highest level of integrity in performing all duties of the electoral process. It is therefore understood, the nurturing and protecting Democracy are a team effort in the profession of voter registration and election administration.

Control



The Internal Control Review did not identify corrective controls, risk assessment or monitoring activities designed to assist the department in carrying out the objectives identified in its mission statement.

Internal Control Review Findings

- No post-election reviews to identify opportunities for improvement

Risks

The lack of internal controls review and follow-up related to the delivery of Elections Services has resulted in the department taking no corrective action on errors experienced in prior elections.

Recommendation

Improve on the Delivery of Election Services

Management should conduct post-election reviews to identify areas of improvement for each area of elections.

Management Action Plan

- I am in the process of conducting a top-to-bottom review of all Election Department operations and will present a comprehensive report in the summer of 2021. In the meantime, we have already taken corrective action to improve those processes that have been the most problematic for the Department including the procedures used in the Mail Ballot Department and in the Election Hardware and Logistics Departments (procedures formerly managed by the Warehouse team).
- As a regular course of business, the Department will implement a constant cycle of planning, implementing, reviewing, and revising processes in an effort to make the delivery of election services more effective and efficient. A critical part of that process is to conduct regular after action reviews after an election.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator