

Travis County Auditor's Office
Report on the County
Clerk's Election Division



TRAVIS COUNTY AUDITOR'S OFFICE
Risk Evaluation & Consulting Division
November 27, 2017

TRAVIS COUNTY
AUDITOR'S OFFICE

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Travis County Clerk

From: Nicki Riley, CPA
Travis County Auditor

Date: November 27, 2017

Subject: County Clerk Elections Division Examination

Scheduled as part of our statutory requirements, the Risk Evaluation & Consulting Division of the Travis County Auditor's Office has completed an examination and risk assessment follow-up of the Travis County Clerk Elections Division. We conducted our examination in accordance with the applicable statutes governing the County Auditor's Office and those relating to County financial and accounting protocols. As a result of our examination, we are providing this report on our findings and recommendations, as well as a status update on the "Areas of Concern" noted in the FY14 Risk Assessment.

BACKGROUND

The County Clerk's Elections Division conducts special, primary, and general elections for Travis County and governmental entities throughout the Travis County area. They contract with these entities through interlocal agreements and memoranda of understanding, which cover the responsibilities of each party as required by the Texas Election Code. The Accounting Division works closely with the Elections Division to ensure election costs are properly billed to the participating entities in accordance with statutes and applicable agreements.

SCOPE OF EXAMINATION

This examination included an assessment of the adequacy and effectiveness of the Election Division's internal controls for the November 8, 2016 Presidential Joint General and Special Elections and December 16, 2016 Joint Special Elections Runoff. We also performed a follow-up on the "Areas of Concern" we noted in our FY14 Risk Assessment.

EXAMINATION METHODOLOGY

Our work was based on applying sampling procedures to office records and on verbal and written representations from the Elections Division. Sampling relates to examining, on a test basis, evidence supporting the amounts and disclosures in the financial records and statements. The use of sampling techniques would not necessarily disclose all matters in these elections' financial records and internal controls that might constitute material weaknesses or misstatements. In regard to the written and verbal representations made by this office, unless otherwise noted in this report, Elections maintains that the assertions we relied upon in the examination were correct to the best of their knowledge.

SUMMARY OF FINDINGS

Based upon our examination, we noted that a final true-up of elections expenses was not conducted for the November 8, 2016 Presidential Joint, General, and Special Elections.

OPINION OF INTERNAL CONTROL SYSTEM

We gave the system of internal controls for this functional area our rating of "Satisfactory, with Findings Noted." This rating indicates a solid overall system of internal controls is in place for this functional area; however, a material weakness was noted. See Attachment B for an explanation of our grading system for the overall control environment.

CLOSING

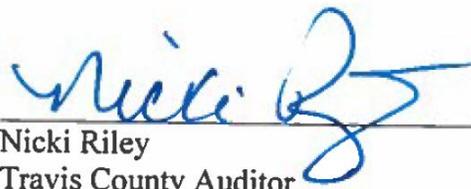
This report is intended solely for the information and use of your office and the Commissioners Court. We greatly appreciate the cooperation and assistance received from the management and staff of Travis County Clerk Elections Division during this examination. Please contact our office if you have any questions or concerns regarding this report.



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Manager – Risk Evaluation & Consulting



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First Assistant County Auditor



Nicki Riley
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ATTACHMENT A – DETAILED EXAMINATION RESULTS

Joint Election

The Travis County Elections Division participated in the November 8, 2016 Presidential Joint General and Special Elections. In regard to these elections, Section 271.002(a), “Joint Elections Authorized”, of the Election Code states the following:

If the elections ordered by the authorities of two or more political subdivisions are to be held on the same day in all or part of the same county, the governing bodies of the political subdivisions may enter into an agreement to hold the elections jointly in the election precincts that can be served by common polling places.

Entities that agree to participate in the joint election share the cost based on their number of registered voters, the number of early voting days, and the number of early voting sites. Estimates of these items are compiled in an Excel spreadsheet, and they are submitted to the Elections Division to calculate the number of employees that will be needed during the election. Estimates of personnel costs are computed using this information, and Elections Division personnel also estimate equipment usage fees (if applicable) and a 10% administrative fee at this time. The spreadsheet allocates the costs based on the percentage of the entity voting population against the total number in the voting population for that election. Generally, the County also charges a participating entity a \$100 Participation Fee.

Participating entities are initially billed 75% of their total estimated cost. As these initial, partial payments are received from the participating entities, they are recorded on a spreadsheet used to calculate the final billings for each election. The payment information recorded on the spreadsheet includes the manual receipt number, payment date, check number, and check amount for each entity making a payment. For the final billing spreadsheet, the final costs are calculated, the payments made are allocated to the appropriate transactions, and the amount due is calculated.

The costs of elections are recorded into two funds, the General Fund and the Elections Special Revenue Fund. Costs are recorded in the General Fund when the County participates in an election with items on the ballot; costs are recorded in the Elections Special Revenue Fund when the County both conducts the election for other contracting entities and has no items on the ballot. The revenue generated is generally recorded in the fund into which the costs are posted. For each election, the County Clerk’s Accounting Division generates an “All Postings Report” from SAP for the internal order number assigned to that election. Elections and Accounting Division staff review the internal order to verify the costs were accurate and complete for each fund.

Since payroll transactions and vendor invoices are received and posted to SAP over an extended period of time after each election, the Accounting Division waits six weeks after an election to review expenditures and prepare final billings for the contracting entities. At this time, there may be invoices and payroll entries related to this election that have not been received/processed by County Clerk personnel. According to County Clerk Accounting Division personnel, it “sometimes takes months for the Clerk’s Office to receive invoices or be notified by a temporary employee that they had not been paid.”

In order to properly bill the participating entities, the Accounting Division downloads an SAP All Postings Report based on the election's internal order number and reconciles that report's shopping carts, purchase orders, receiving transactions, and invoices. After this reconciliation, a review of the open Purchase Order list for this internal order is also conducted to identify any potential billing issues.

We reviewed the General Ledger Activity Report and the Budget to Actual Report for the two internal orders used for the November 8, 2016 election. We also obtained estimated and final billing spreadsheets, reconciling the final billed costs to both the General Ledger Activity Report and the Budget to Actual Report. As a result of this review, we noted the following variances between the amounts billed for the election and the applicable SAP general ledger activity:

Line Item	Election Final Cost	200250 IO Activity Report	200400 IO Activity Report	Combined 200250 & 200400 IOs	Variance Final Costs vs. IOs
500050 Regular Employee		\$113,990	\$2,124	\$116,114	\$116,114
501010 Salaries - POPS		403	988	1,391	1,391
502015 Extra Hours		3,502		3,502	3,502
500070 Temps	\$1,551,998	1,294,150	23,197	1,317,347	(234,651)
502010 Overtime	73,412	139,217		139,217	65,805
506010 FICA - OASDI	88,963	85,533		85,533	(3,430)
506020 FICA - MEDICARE	20,808	20,004		20,004	(805)
506050 Retirement Contrib.	10,035	3,107		3,107	(6,928)
506060 Worker's Compensation	3,275	2,661		2,661	(614)
Total Personnel	\$1,748,491	\$1,662,566	\$26,308	\$1,688,874	(\$59,617)
510310 Software	\$11,086	\$9,886		\$9,886	(\$1,200)
511550 Hard/Software Maint.	12,541	11,182		11,182	(1,358)
511650 Rent-Office Equipment	1,173	733		733	(440)
511670 Rent-Machinery/Equip	29,444	16,265		16,265	(13,178)
511870 I Consulting	2,400	-		-	(2,400)
511950 Temp Services	26,191	26,080		26,080	(110)
519060 Property Taxes	2,596	939		939	(1,657)
Printing & Mailing	47,827			-	(47,827)
Total Operating	\$133,256	\$65,086		\$65,086	(\$68,170)

Overall, our initial findings are that total payroll and operating expenditures billed were greater than the final general ledger expenditures by \$59,617 and \$68,170 respectively. In August 2017, security costs were posted in SAP for the November election. The security costs were included in the billing, but not posted to the correct internal order at the time of the audit. The Printing and Mailing variance of \$47,827 is not a vendor payment and therefore not an entry in SAP. These costs are calculated based on the Travis County Print Shop cost per sheet for paper, toner, and postage.

Significance

In regard to billing the participating entities of joint non-primary elections, Section 31.100 of the Election Code, "Disposition of Contract Money; Payment of Contracting Officer's Expenses," states the following:

(c) An election services contract must include an itemized list of estimated election expenses. If the estimated expenses, not including the fee charged under Subsection (d), exceed the actual expenses, the amount of the difference shall be refunded to the contracting authority.

Recommendation

Although the Accounting Division has relatively strong internal controls over their final billing process, we recommend that a true-up of the final billings to the actual disbursements be performed after sufficient time has passed to ensure all expenditures have posted correctly. If any overpayments are discovered, the contracted entities should be promptly refunded. More specifically, we recommend that County Clerk personnel review the billing overages noted on the previous page.

Management Response

Thank you for the opportunity to review your audit findings. We appreciate, and concur with your note that our internal control mechanism is strong. This is due to the hard work of the Finance Division Staff.

With respect to specific findings, we offer the following additional information:

- Concerning the payroll variance of \$59,617 in the above schedule, the difference was due to a miscoding of a department cost entry for security services and was corrected in SAP on August 17, 2017 by the County Payroll Department. Our total payroll cost on the November 2016 billing was \$1,748,491. The payroll costs for the election in SAP are \$1,751,254, a difference of \$2,743 which is attributed to late timesheets and corrections.
- The operating costs of the November 2016 election as billed were \$416,033, in which you identified a variance of \$68,150. This variance included printing and mailing costs from the election in the amount of \$47,827. The work associated with these costs was performed internally, and including the \$47,827 in election operating costs represents our efforts to recover costs in a manner consistent with guidance from the Texas Secretary of State's Office. These costs are not included in the SAP reports, as this amount is not a vendor payment, but rather costs incurred by the Clerk's Office for postage, paper and copier use directly related to the conduct of an election. When subtracted, as these are legitimate costs of the election, the difference is \$20,343. This updated variance was due to purchase order duplication, vendor issues, and report problems.

After reviewing your findings, the Clerk's Office recognizes that \$17,563 is the net variance of the election from current costs and billed costs. In September 2017, a final true up was performed for the elections held in the fiscal year 2017 and the Clerk's office issued refunds in the amount of \$8,841.

ATTACHMENT B – INTERNAL CONTROLS RATING KEY

A good internal control system reduces the risk of errors, defalcations, and misappropriations of funds. Weak internal control systems provide an environment in which errors, defalcations, and misappropriations of funds can go undetected. The following details the various grades we assign to internal control systems:

RATING	RATING DESCRIPTION
Satisfactory	Well-established internal controls with no material weaknesses noted.
Satisfactory, with findings noted	A solid overall system of internal controls is in place; however, some material weaknesses were noted.
Inadequate	The existing system of internal controls is materially ineffective.