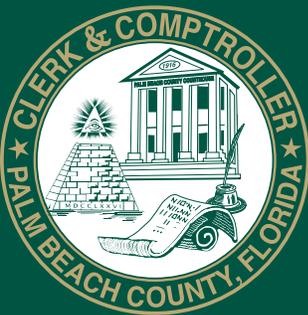


AUDIT REPORT



SHARON R. BOCK
Clerk & Comptroller
Palm Beach County

PALM BEACH COUNTY SUPERVISOR OF ELECTIONS OFFICE AUDIT

September 2009

Division of Inspector General
Audit Services Unit

PALM BEACH COUNTY
Supervisor of Elections Office Audit



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September 23, 2009



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September 23, 2009

The Honorable Susan Bucher
Supervisor of Elections, Palm Beach County
240 South Military Trail
West Palm Beach, FL 33415

Re: Supervisor of Elections Office Audit

Dear Supervisor Bucher:

At your request, we conducted a financial audit of the accounting and payroll records of the Palm Beach County Supervisor of Elections Office. Our objectives were to, 1) determine the adequacy of policies, procedures and internal controls for select areas, including cash and other receipts handling, bank reconciliations, vendor payments, payroll, purchasing, contracting and fixed asset management; 2) determine if expenditures were properly supported, accurate, reasonable and appropriate; 3) identify any possible fraudulent payments; and, 4) identify opportunities for improvement and make recommendations.

Our audit was neither designed nor intended to be a detailed study of every process, procedure, transaction or system in each area. Accordingly, the observations and recommendations included in this report are not all-inclusive.

The audit found that the Supervisor of Elections Office is in the early stages of streamlining operations and identifying opportunities for improvement wherever possible. Control weaknesses were noted in the areas reviewed, policies and procedures were lacking or not fully developed, and some expenditures were not adequately supported or authorized.

We appreciate the cooperation shown by the Supervisor of Elections Office during the course of this review.

Respectfully submitted,

Sharon R. Bock, Esq.
Clerk & Comptroller

Executive Summary

At the request of Palm Beach County Supervisor of Elections Susan Bucher, the Clerk & Comptroller conducted a financial audit of the Supervisor of Elections' Office (SOE) accounting and payroll records from January 1, 2007 through December 31, 2008. The Supervisor of Elections was elected in November 2008 and took office in January 2009.

This report contains observations and recommendations for improving the internal control environment within the SOE Office processes, including receipts handling, payroll, purchasing, contracting, vendor payments and fixed asset management.

The Clerk & Comptroller has historically handled the SOE financial and payroll processes dating back to 1991. Under the prior Supervisor of Elections, the financial and payroll processes were transferred back to the SOE in January 2007. The current Supervisor of Elections expressed her intent to return her office's financial and payroll processes to the Clerk's Office. In so doing, the audit indicated that SOE expenditures would be reduced by approximately \$205,000 annually, which would be offset by costs incurred by the SOE in adding staff and poll workers to the Clerk's Oracle PeopleSoft system for payroll processing. The PeopleSoft costs would be largely incurred in the first year of implementation, which are estimated at \$221,000.

The audit disclosed various control weaknesses in the payroll and timekeeping processes. Non-exempt employees are paid for eight hours though only required to work 7 ¾ hours based on a 45 minute lunch break. Non-exempt employees are not required to document lunch break absences nor are supervisory review and approval required for their time and attendance. Adequate documentation and approval is not always available for salary changes, overtime hours and verification of family status for health benefits.

The review of SOE expenditures incurred in 2007 and 2008 indicated that some payments had a questionable public purpose or were distributed to entities whose legal existence could not be confirmed.

Controls over customer receipts handling required strengthening, including the use of change funds, safeguarding of funds, use of blank checks, restrictive endorsement of checks, issuance of receipt forms and timeliness of deposits and bank reconciliations.

Purchasing and contracting controls require improvement as purchase requisitions and orders are not always prepared and vendor payments are made without requiring verification of receipt of goods or services. Contracting policies are not in place, which contributed to the execution of certain prior contracts without including key elements such as approval signatures and defined service dates.

Travel expenses are not always adequately supported and authorized. SOE policy prescribes adherence to the County's travel policy though the audit identified various exceptions.

Opportunities exist to enhance fixed asset controls, including segregating responsibility of asset custody and inventory verification, and following up on missing assets. Finally, existing policies and procedures do not include some key SOE work activities, including contracting, elements of purchasing, fixed asset management and the use of credit cards and cell phones.

The report contains 11 observations and 39 recommendations. The SOE is encouraged to implement all recommendations to improve the control environment of the financial assets and liabilities as well as the related recordkeeping.

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Introduction

Overall Conclusion

The newly-elected Supervisor of Elections has initiated efforts to streamline office operations and identify opportunities for improvement wherever possible. Progress made to date includes reductions in staff and expenditures.

Control weaknesses were noted in the areas reviewed, including payroll processing and recordkeeping, customer receipts, vendor payments, purchasing, contracting and fixed asset management. These weaknesses hinder the effectiveness of some of the key functions. Implementing a more structured approach and a set of comprehensive policies and procedures will have a positive impact on the operations.

Scope and Methodology

The Clerk's Audit Services Unit conducted a financial audit of the Supervisor of Elections' Office (SOE) accounting and payroll records from January 1, 2007 to December 31, 2008. The objectives of the audit were to:

- Determine the adequacy of the policies and procedures and related internal controls for select areas including: customer receipts handling, bank reconciliations, vendor payments, payroll, purchasing, contracting and fixed asset management;
- Determine if expenditures, on a sample basis, were properly supported, accurate, authorized, reasonable and appropriate; and,
- Identify opportunities for improvement and make recommendations.

In order to meet these objectives, we conducted interviews, reviewed procedures, performed testing, confirmed bank account balances and evaluated the internal control environment. We performed other procedures that were deemed necessary under the circumstances.

To supplement this audit, we engaged the services of a forensic audit firm to identify any possible fraudulent payments since the former Supervisor of Elections shifted the accounting, payable and payroll responsibilities from the Clerk's Office to the SOE Office on January 1, 2007. The external auditors reviewed payments totaling \$10.0 million, representing 63% of the \$16.0 million in non-salary related expenditures between January 2007 and December 2008.

Background

The Florida Constitution established the county Supervisor of Elections Office (SOE) as an independent government agency, with the Supervisor of Elections being elected to a four-year term. The current Palm Beach County ("County") Supervisor of Elections took office in January 2009.

The SOE Office performs activities related to administering the elections process throughout the County, which is carried out from the main office and three branch offices. The SOE Office is supported by approximately 40 full-time employees. The Supervisor of Elections has four direct reports, including the Chief Deputy, Director of Business Affairs and two managers.

Until January 2007, the Clerk & Comptroller's Office performed the accounting, reporting, payable and payroll functions on behalf of the SOE Office. In January 2007, the prior Supervisor of Elections decided to assume responsibility of these functions. The SOE utilizes the Fundware system to prepare budgets; maintain a chart of accounts, general ledger and trial balance; prepare and process requests for purchases and contracts; and, process non-payroll payments. For payroll, the SOE maintains an employee database and time and attendance records, and has contracted with a third-party vendor, Paychex, to handle payroll processing.

The SOE's budget is part of the general County budget approved by the Board of County Commissioners, as defined in F.S. 129.202. The SOE's FY 2009 budget is \$10.0 million, which includes \$3.7 million in Personal Services and \$6.3 million in Operating Expenses.

Observations & Recommendations

The Clerk's audit identified certain policies, procedures and practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the observations and recommendations presented in this report may not be all-inclusive of areas where improvement may be needed.

1. Payroll and time and attendance documentation does not always support salaries paid and benefits authorized.

SOE payroll services are provided by Paychex, a contracted vendor. For non-exempt employees, time and attendance (e.g., hours worked and absences) are captured by SOE in Paychex's Time-in-a-Box sub-system. Paychex calculates and processes payroll for non-exempt and exempt employees as well as handles payments to temporary poll workers based on submissions from SOE. Paychex prepares employee direct deposits or payroll checks and handles payments of required payroll tax withholdings and other deductions with the appropriate third parties. The SOE Accounting and Administrative Procedures Guide addresses the payroll processes.

A review of SOE payroll recordkeeping identified the following:

a. Non-exempt employees may be paid for more hours than worked.

Non-exempt employees are paid for eight hours on a daily basis based on an 8:30AM to 5PM work schedule. However, the Deputy Policy Manual states that employees are to take 45 minutes for lunch. Therefore, employees are only required to work 7 ³/₄ hours while being paid for eight hours.

In addition, non-exempt employees are not required to clock in and out on their lunch breaks. As a result, non-exempt employees could claim they

did not take lunch breaks and are owed additional wages, up to the total elapsed time of eight and one-half hours a day. Studies and articles presented by recognized experts in labor law have highlighted that when documentation of exact hours worked is missing, as in this case, employers are vulnerable to employee lawsuits claiming back wages.

b. Time and attendance reports are not submitted by non-exempt employees or reviewed by supervisors.

Non-exempt employees clock in and out at the beginning and end of day directly into Time-in-a-Box. However, employees do not record their absences or overtime into the system, nor do supervisors review the time and attendance reported for their employees to ensure accurate reporting.

Absences and overtime are entered into Time-in-a-Box by the Business Affairs fiscal specialist based on receipt of a supervisor-approved request document; however no standardized form is consistently used to record and approve the request. When an approved absence or overtime request is not received, the fiscal specialist must contact the supervisor and obtain support. When no support is available and in other instances when the Time-in-a-Box entries do not reflect that an employee worked a full schedule, the fiscal specialist makes up for the shortage by using leave hours if the employee has an unused balance. This process requires substantial review and follow up efforts. More importantly, controls are lacking that ensure employees submit and their supervisors approve accurate time reporting.

c. Overtime hours worked by each non-exempt employee are not always documented and approved.

For overtime hours required during elections and other periods, SOE practice is to document by memorandum the requirement for all staff to work overtime. For example, an inter-office memorandum dated October 13, 2008 informed all staff that, “we will need to work Tuesday, October 14, through Thursday, October 16, until 8:00 p.m. or until the data entry is completed.”

In some cases, employees worked more or less overtime than stated on the memoranda, but no individual overtime approval for the differing hours was located in the overtime folder for those individuals. Therefore, it was

not always possible to verify exact overtime hours worked for each employee.

d. Actual hours worked and absences are not recorded in Time-in-a-Box for exempt employees.

Hours worked by exempt employees are not recorded or captured in the payroll system. Exempt employees submit written absence requests for approval by supervisors. Upon approval, the supervisor submits the absence request to the Business Affairs fiscal specialist for capture into the Paychex Time Off Accrual Report.

Without a report of hours worked by exempt employees, the fiscal specialist must fully rely upon supervisors to provide the approved absence requests. Controls are lacking that enable the fiscal specialist to verify that all absences are properly recorded.

e. Across-the-board pay increases are not always documented in employees' personnel files.

Pay increases granted to all SOE staff were documented by memoranda signed by the Supervisor of Elections. Those memoranda specified percentage increases for staff, but did not consistently attach lists of the amount of pay raise granted to each individual. In addition, the memoranda or any other document reflecting the employee's increase were not filed in the personnel records reviewed.

f. Benefit enrollments are not supported by evidence of a family member's relation to the employee.

SOE does not require employees to provide proof of family relationship for individuals listed as dependents on their benefit enrollment applications. This creates a risk that SOE is incurring unnecessary insurance costs for individuals who do not qualify for coverage.

As of January 27, 2009, SOE had 19 of 39 employees who elected benefits for at least one family member. This audit identified one employee whose dental enrollment was for himself and two family members, while the payroll deduction was for him and only one family member. The difference

in premium amounted to \$3.59 per pay period for the sixteen months since the employee's enrollment date, totaling approximately \$122.

Recommendations:

The SOE should:

1. Revise the SOE hours of operation or the lunch break provision to align hours of work with paid hours for non-exempt employees.
2. Enhance time and attendance recording practices and controls by requiring non-exempt employees to "clock out" and "clock in" to record their lunch breaks.
3. Record all hours worked (including overtime) and absences taken by non-exempt employees in the SOE time and attendance system.
4. Require supervisors to review and approve employee-prepared bi-weekly time and attendance reports to verify their accuracy.
5. Record all hours worked and absences taken by exempt employees in the SOE time and attendance system.
6. Document and file all pay rate changes in each employee's personnel records.
7. Require employees to provide evidence of family relationship for all individuals included on health and dental benefit enrollment applications and require updated documentation each year.
8. Correct the inaccurate premium deductions for the one employee identified and decide whether the undercharged amount should be collected.
9. Update the SOE's Deputy Policy Manual and the Accounting and Administrative Procedures Guide upon implementation of the above recommendations.

Management Responses:

1. Non-exempt employees now clock in and out for a thirty minute lunch period.
2. Non-exempt employees now clock in and out for a thirty minute lunch period.
3. Memos regarding overtime are issued for the purpose of advising staff of overtime requirements. The actual hours worked are clocked by the staff per their actual hours worked. The only exception is if staff works another site (e.g., tabulation center). The hours worked are provided to payroll. Payroll staff makes the appropriate adjustments in the time system.
4. Time and attendance for payroll are reviewed and approved by the chief deputy. It is only by minimal exception that it is not reviewed and approved by the chief deputy.
5. SOE will not require exempt staff to record time in the time entry system. Documents for vacation and sick time are approved by the supervisor and recorded to maintain salaried staff's PTO accrual.
6. Individual salary change memos are included in the records of staff. Letters for across the board increases (e.g., October merit increases) are included in the payroll records, and will be added to the individual files retroactively to 2007 and going forward. Target Completion Date: 3rd Quarter 2009
7. As of 2008, benefit enrollment, evidence of family and domestic partners is collected for new employees. In addition, proof of birth is required for employees when the new child is added to the benefits. Retroactive documentation will be requested of staff during the 2010 benefit enrollment time frame. Target Completion Date: 4th Quarter 2009
8. The premium was adjusted in March 2009 to collect the correct amount. A retroactive collection was not required of the employee.
9. The operating procedures included in the deputy manual require several updates and will be addressed by the Supervisor of Elections and management team. The recommended changes will be considered. Target Completion Date: 1st Quarter 2010

2. Some vendor payments have questionable public purpose and/or inadequate documentation.

Some SOE payments were disbursed in which the public purpose was questionable and/or the expenditures were inadequately supported.

SOE incurred \$16.0 million in non-salary related expenditures between January 2007 and December 2008 according to SOE documents. Audit Services obtained the professional services of a forensic accounting firm to review SOE expenditures, focusing primarily on identifying potential fraudulent payments. The contracted auditors reviewed payments totaling \$10.0 million (63%) and identified the following:

- No evidence of fraudulent payments,
- Expenditures of \$32,000 lacked approval documentation; and,
- Two instances of duplicate payment: one for \$23,379.40 had already been recovered and one for \$1,794.72 was recovered after the review.

As the contracted auditors did not evaluate public purpose of the SOE expenditures, Audit Services supplemented their work. Expenditures for advertising and promotional items totaled \$1.05 million from January 1, 2007 through December 31, 2008. Audit Services selected 17 of the largest payments totaling \$472,000 (involving eight vendors) for review. In addition, 50 payments were selected from certain other vendors. The following observations were noted, which are categorized into two general areas.

Payments were made to organizations whose legal existence could not be confirmed when compared to the Florida Department of State’s Division of Corporations database. Some organizations had been previously dissolved and other entities were not listed in the state’s database.

Vendor	Status	Payment Date	Amount
Roots Cultural Festival	Dissolved 8/23/1996; prayer breakfast	multiple	\$2,670
Nuestra Belleza Hispana	Dissolved 10/1/2004; advertising lacks signature and support documentation	5/08/2007	\$2,000
United Haitian American Democratic Club	Not listed with Division of Corporations; holiday party table for ten	12/05/2007	\$ 500
Black Elected Official Education Foundation	Not listed, likely affiliated with PBC Caucus of Black Elected Officials; table for ten at gala dinner	9/26/2008	\$1,800

Glades Area Branch of the NAACP	Not listed, although likely affiliated with national NAACP; awards banquet table for ten, including out of county attendees	10/26/2007	\$1,500
Kings Point Democratic Club	Not listed; poll worker ad solicited by club president who "helped you get elected"	8/23/2007	\$1,000
Total			\$9,470

Payments were made to various vendors in which the public purpose was questionable and/or documentation was insufficient.

Vendor	Issue	Payment Date	Amount
Black Chamber of Commerce	Ads in 2007 & 2008 calendars , highlighted prior Supervisor of Elections with picture and text	multiple	\$1,000
Centro Cultural	Booth at event, no statement of purpose	multiple	\$1,150
Chamber of Commerce of the Palm Beaches	Tables at dinners, awards lunch, breakfast, multiple memberships, no statement of purpose	multiple	\$4,460
Hispanic Chamber of Commerce	Awards banquet 5 tickets, Hispanic fest tickets, memberships, no statement of purpose	multiple	\$1,650
Haitian Evangelical Crusade Assn	No vendor established cost, no clear statement of purpose	9/05/2008	\$1,000
Voter's Coalition	Table for 10 at dinner, advertising, no statement of purpose	multiple	\$1,035
Palm Beach County Home Show	Generic justification for booth at home show	2/28/2008	\$1,000
Positive Promotions	Kids coloring books, no stated purpose – identical to costs questioned by an Elections Assistance Commission audit	8/31/2007	\$14,860
PBC Caucus of Black Elected Officials	Memberships for non-elected SOE staff, table for 10 at black tie gala with no stated purpose, \$1,500 poll worker recruitment ad in souvenir booklet	multiple	\$4,300
Palm Beach County Democratic Executive Committee	Ad in brochure for hand out; no statement of public purpose justifying ad with partisan organization	5/30/2007	\$1,000
Proflowers	Flowers for staff (illness, retirement)	Multiple	\$ 250
Various restaurants	Meals for staff and poll workers, no statement of purpose	11/4/2008	\$5,758
Bertram Pender	Pencils with "Dr. Arthur Anderson" inscribed; potential personal endorsement	3/19/2008	\$1,760
WPEC TV 12	Internet Web Banner advertising; previously rejected by Clerk's Pre-Audit Division due to lack of supporting documentation, processed by SOE with no further documentation.	1/12/07	\$2,850
Total			\$42,073

In addition, the U.S. Election Assistance Commission conducted a review of expenditures of Help America Vote Act (HAVA) grant funds provided to the State of Florida for the period between April 25, 2003 and September 30, 2007. The report, issued in November 2008, included two findings pertaining to Palm Beach County SOE as summarized below:

- Purchases were made totaling \$48,384.44 that are questionable uses of HAVA funds, principally involving coloring and activity books for children under the voting age of 18 years.
- Supporting documentation was not provided for two expenditures totaling \$33,082.50.

According to the Supervisor of Elections and her Business Affairs staff, the rationale for the questionable expenditures and the missing documentation was provided to the Florida Department of State. SOE anticipates that repayment of these expenditures may be required and has recorded an expense and related payable (to other government agency) in their FY2008 financial records of \$78,200.

Recommendations:

The SOE should:

1. Require all expenditures of SOE funds to be supported by a clear, specific statement of public purpose and are made only to legally established, current organizations.
2. If the Florida Department of State determines that SOE must repay funds expended that were not made in accordance with HAVA guidelines, the SOE should determine whether BCC approval is required prior to repayment.

Management Responses:

1. The expenditures of SOE funds are only for public purpose. Any organization for which funding is provided is legally established, although it may not be listed as a Florida corporation. For example, the Glades Area Branch of the NAACP is affiliated with the national organization.
2. Management agreed with the recommendation. Target Completion Date: Ongoing

3. Controls over customer receipts require improvement to effectively safeguard assets.

The SOE Accounting and Administrative Procedures Guide includes certain activities regarding handling customer receipts. However, adherence to the guide is not always enforced and other key control activities are absent.

The following observations were noted:

- a. No change funds are in place, requiring staff to use personal funds at times to provide change to customers.
- b. A single-key safe with a drop slot is used to secure monies overnight. The safe is located on a shelf in a storage room, which is accessible by a few high-level staff and an Election Specialist III. The safe is not attached to the shelf and can be easily moved. Money received at the branches is sent to the main office on the day of collection via the County's inter-office courier service. Customer deposits in November and December of 2008 ranged from \$25 to \$1,383, though one deposit in April 2009 totaled \$15,831.
- c. All staff that interface with customers may act as cashiers and collect funds at the main office and at the branch offices. When funds are received from a customer at the main office, the employee retrieves the zippered (unlocked) money bag from the Chief Deputy's office, issues a receipt and the money bag is returned to the Chief Deputy's Office. Within the three branches, funds from each customer transaction are placed in a separate sealed envelope, along with a copy of the order form, and sent to the main office via the County's inter-office courier service.
- d. Checks are occasionally received from customers that are signed but with a blank amount. These "blank checks" relate to services that are requested by the customer but the dollar amount cannot be determined until the requested service is performed (e.g., voter registration research). The blank checks are not restrictively endorsed or recorded on a log. Branches send these blank checks to the main office and final dollar amounts are later entered on to the checks by staff.

- e. Checks are not restrictively endorsed immediately upon receipt. Checks received directly from customers in the main office and checks received via mail from the branches are endorsed at the end of day during the collections reconciliation process.
- f. Deposits are not always performed timely. A memorandum issued in August 2008 stated that bank deposits should be made each Friday. The review indicated two deposits made in January 2009 were late by one week and two weeks.
- g. Receipts are not issued by branch staff for money collected at the three branch offices. Instead, the main office sends receipts to customers by mail.
- h. The weekly collections and related receipt forms are verified by a second individual in the presence of the deposit preparer. However, there is no verification of the continuity of receipt forms used to ensure all receipt forms are accounted for.
- i. SOE procedures do not define when bank reconciliations should be completed, though most organizations reconcile their bank account statements within 30 days of cut-off. During the review period, bank reconciliations were not signed or dated upon completion until September 2008. SOE contracted with a third party to complete their bank reconciliations. From September through December of 2008, none of the four reconciliations were completed within the normal 30-day timeframe, ranging from 37 to 87 days late after month end (three exceeded 60 days).

Recommendations:

The SOE should:

1. Implement a change fund for each cashier handling customer receipts.
2. Improve safeguarding of customer receipts by obtaining a stationary safe (dual access is preferable) or equivalent secured storage. Limit access to the extent practicable to the appropriate employees and document the employees with access capabilities. Implement a safe access log to record each entry into the safe.

3. Limit the number of employees acting as cashiers. Each cashier should operate out of their own money bag. At day's end, a cash-out process should be performed, in the presence of the cashier, by a second person.
4. Revise the procedures that currently require customers to issue "blank checks". Acceptance of "blank checks" and completion of check amounts by SOE staff on behalf of customers should be discontinued. The alternative procedures created should be documented in policies and procedures.
5. Implement and document procedures to restrictively endorse checks received by the main office and branches at the counter or in the mail at the earliest point possible.
6. Perform bank deposits on a daily basis and include the revised requirement into SOE policy.
7. Require branch offices to issue receipts for monies collected and implement a daily cash-out process to reconcile money collected with receipts issued.
8. Verify the receipt forms used during the weekly deposit preparation to ensure all receipt forms are accounted for.
9. Complete bank reconciliations within 30 calendar days of receipt of the bank statement and incorporate this requirement into SOE policy.
10. Update the SOE Accounting and Administrative Procedures Guide upon implementation of the above recommendations.

Management Responses:

1. The procedure for receipts for public requests will be revised with the Chief Deputy, and will be reflected in the administrative procedures guide for implementation. Target Completion Date: 4th Quarter 2009
2. See response in #1 above.
3. See response in #1 above.
4. See response in #1 above.

5. See response in #1 above.
6. See response in #1 above.
7. See response in #1 above.
8. See response in #1 above.
9. Management agreed with and implemented the recommendation.
10. See response in #1 above.

4. Purchasing procedures and related controls require strengthening.

Purchases of goods and services did not consistently adhere to procedures defined in SOE's Accounting and Administrative Procedures Guide. In addition, opportunities exist to include other purchasing activities not currently addressed in the guide.

The following observations were noted:

- Purchase requisitions and purchase orders were not prepared for some purchases as required in the SOE guide. In some cases, emails were used as purchase requisitions to allow the accounting system to generate purchase orders. Payment authorization forms, which are not mentioned in SOE's guide, were used instead of purchase orders to support some vendor payments.
- Some vendor payments were made without support documentation that goods or services were received. The SOE guide indicates the purchase order and vendor invoice should be matched prior to vendor payment. Best internal control practices indicate a receiving document should be used as proof of receipt to create a three-way match prior to vendor payment.
- Existing procedures did not require more than one vendor quote for any purchase or the use of a formal bidding process for purchases exceeding a defined threshold.
- Some purchase orders were prepared after the date of shipping on the customer order.
- In two cases, fixed assets were requested, apparently received and entered into the SOE fixed asset listing prior to issuing purchase orders.

One transaction was noted that exemplifies the risks arising from the control weaknesses in SOE's contracting and purchasing practices and procedures. A November 2007 order apparently was placed with the Stromberg Company to

purchase hardware and software for poll worker payroll processing. SOE has no documentation of the order, though SOE files refer to the order as an agreement or contract. The total purchase was \$30,396, as shown on a vendor invoice, of which \$19,913 was for hardware and software. The remaining cost represented implementation and maintenance fees. The following observations were noted:

- The invoice did not refer to a contract or order number.
- Actual receipt of the hardware and software is in dispute. UPS tracking information made available to SOE by the vendor showed that SOE warehouse staff signed for receipt of the hardware and software on November 29, 2007 and December 3, 2007, respectively.
- No receiving document was prepared upon receipt of the assets.
- The former Director of Business Affairs denied receiving either the hardware or software.
- A vendor payment of \$10,000 was dated March 19, 2008. It was supported by a faxed copy of the invoice and a payment authorization form signed by the former Supervisor of Elections.
- In June 2008, the prior Supervisor and the vendor agreed to consider the contract cancelled and no further payment was due.
- No further efforts have been made to resolve the issue. The hardware and software have not been located.

Recommendations:

The SOE should:

1. Update the SOE Accounting and Administrative Procedures Guide by including the current use of the payment authorization form, multiple quotes and bids for larger purchases, and a receiver document for proof of receipt of goods and services (receiver should be matched with the purchase order and vendor invoice prior to payment).
2. Improve oversight of the purchasing process and ensure adherence to the procedures guide.

Management Responses:

1. Procedures will be upgraded to include the authorization form. This form is used for non-PO related expenses and is useful in tracking expense records. Guidelines for the bid process and the requirements for multiple quotes will be developed and included in the procedures. Target Completion Date: 4th Quarter 2009
2. Follow up and oversight will result upon implementation of the recommendations highlighted in item #4.1. Target Completion Date: 4th Quarter 2009

5. Travel expenses are not always adequately supported or authorized.

Travel expenditures totaled \$71,445 between January 2007 and December 2008. The Deputy Policy Manual requires the SOE Office to adhere to the County's travel expense policy and related forms. The following observations were noted regarding the authorization and support documentation of travel expenses.

a. Travel authorizations are not consistently completed and approved prior to trips.

Authorization for trips is often documented only by requests for checks to be made payable for conference registrations or for advance payment of meal allowances. The SOE rarely uses the County's travel request/reimbursement form as required to support advances and estimated costs prior to the trip or to document requests for travel reimbursement after the trip.

b. Travel expenses and travel advances are not reported on reimbursement requests nor always properly supported and approved

- SOE employees do not prepare travel reimbursement requests within 10 days upon completion of travel, as required by County travel policy. For example, eight employees traveled to Pensacola in May 2008. Travel reimbursement claim forms were not filed by any of the employees to consolidate, document and obtain approval for the expenses. The travel charges were identified in SOE's general ledger as payments to employees, event sponsors and to BankAtlantic (to settle credit card charges). Some payments to employees were advances for anticipated travel expenses; there was no documentation showing clearance of the advances. One advance issued in January 2007 was not cleared from SOE's general ledger until September 2007.
- In January 2007, one employee received an advance based on eight nights hotel stay, but provided hotel bills for seven nights. The schedule for the training course provides justification for only five nights stay.

- In several instances, an employee's credit card was used to pay for multiple hotel rooms each day. This suggests that one employee with an SOE corporate credit card paid for the rooms of other employees who did not possess credit cards; however, the hotel bills do not identify who stayed in the rooms. The support was not sufficient to verify the appropriateness of the expenditures.
- For one trip taken by four employees to Chicago in 2007, documentation did not explain the high hotel costs. Three of the four employees were charged \$299 per night, while the fourth employee was charged \$474 per night without any explanation.
- One employee routinely drove a personal vehicle on SOE trips, without any specific approval, while other employees generally rode together in the SOE van.

Recommendations:

The SOE should:

1. Require each employee to submit a travel authorization request and cost estimate prior to each trip, which must be properly approved.
2. Require each employee to submit travel reimbursement requests within 10 days of completion of each trip and ensure that all costs are properly supported and any advances are settled.
3. When the credit card is used for other employees, ensure supporting documentation includes the names of the specific travelers on whose behalf the expenses were incurred.

Management Responses:

1. The recommendation was implemented in 2nd quarter 2009. The format used by the BCC for estimated and actual spending was adopted by the SOE and is in use. The SOE report is in Excel.
2. The recommendation was implemented in 2nd quarter 2009.
3. The recommendation was implemented in 2nd quarter 2009.

6. Fixed asset policies and procedures are not in place and related controls require improvement.

Controls over fixed assets require improvement including such areas as asset custody, recordkeeping and inventory verification. The SOE does not have policies and procedures for fixed asset management activities, which would include such areas as receipt, tagging, safeguarding, inventory control, transfers and disposal of fixed assets. Documented procedures are an important element of ensuring proper controls over fixed assets.

- a. The SOE's Voting Systems manager conducts the annual inventory of all SOE fixed assets, including those assets for which he is the custodian. Best internal control practices recommend that the custodian of an asset should not also be responsible for performing inventories to confirm its existence.
- b. The SOE's Information Technology (IT) manager has responsibility for all other SOE fixed assets, including those in use by the Business Affairs and the Poll Workers Department. Best practices suggest limiting the span of fixed asset custodian responsibilities so one person is not charged with near-total control. In this way, responsibility and accountability for the fixed assets is shared by those managers whose departments have custody of the assets.
- c. During the most recent FY 2008 inventory of fixed assets totaling \$13.3 million, SOE identified 25 fixed assets totaling \$39,956 as missing, significantly more than the nine items missing in the prior year. SOE management has located four of the 25 missing items; a fifth asset was declared surplus and should have been removed from the fixed assets listing.
- d. Receiving documentation was not consistently prepared by SOE to provide verification of receipt of goods.
- e. Two instances were identified in which serial numbers recorded on the fixed asset inventory did not match the vendor documentation related to the items.

Recommendations:

The SOE should:

1. Develop, approve and implement fixed asset policy and procedures. The procedures should include the steps necessary for receiving, recording, tagging and maintaining fixed asset information.
2. Segregate duties by ensuring the annual inventory of fixed assets is conducted by someone other than the custodian of the fixed assets.
3. Continue efforts to locate the remaining 20 fixed assets and record the necessary financial adjustments.

Management Responses:

1. Management agreed with the recommendation. Target Completion Date: 4th Quarter 2009
2. Management agreed with the recommendation. In addition, the responsibility for the inventory will be included in the fixed assets procedures. Target Completion Date: 4th Quarter 2009
3. Efforts have been expended and will continue for a reasonable period. If required, the request to write off the assets will be provided to the fixed assets group. Target Completion Date: 4th Quarter 2009

7. Contracting policies and procedures and related oversight are not in place.

Some contracts executed during the review period are missing key terms and elements and a complete listing of all contracts issued is not available. The SOE has no policies and procedures which could provide guidance to the contracting process. Documented procedures are an important element of ensuring proper controls over the process.

- a. Some contracts prepared under the previous Supervisor of Elections lacked key elements including proper signatures, pricing that could be supported by quotes secured and defined service dates.
- b. SOE could not readily identify all executed contracts during the review period. Without a log or register, SOE could not determine the current status (e.g., active, closed, draft) and location of each contract that had been authorized by the prior Supervisor of Elections.
- c. Established criteria are not in place that define when contracts are required.

Recommendations:

The SOE should:

1. Develop, approve and publish a comprehensive contract policy. The policy should clearly define which goods and services require contracts as opposed to purchase orders. The policy should include minimum requirements such as effective date, payment milestones or deliverables, scope of work, insurance requirements and company officials or principals who may be SOE employees. Contract policies developed by other Florida government organizations, such as the Palm Beach County Clerk & Comptroller's Office, can provide guidance for the development similar policies for the SOE.
2. Develop a log or tracking system to identify all proposed and executed SOE contracts. The mechanism should include the status of all executed and draft

contracts, the unique numbers assigned to each contract, summarized key terms, highlighted expiration and renewal dates and any pending actions, encumbered funds and any other key information to monitor the contracts.

3. Define, document and communicate criteria to guide management in deciding when contracts must be prepared.

Management Responses:

1. Management agreed with the recommendation. Currently there is no policy for the SOE. Examples of procedures used by the BOCC and PBC County Clerk & Comptroller will be considered for guidance in developing the policy. Target Completion Date: 1st Quarter 2010
2. A central file of contracts that will provide the status of contract terms, financial implications and timing will be included. Target Completion Date: 4th Quarter 2009 and ongoing
3. Management agreed with the recommendation. Target Completion Date: 4th Quarter 2009

8. Existing policy and procedure manuals do not include some key work activities.

In addition to policy development needs included above, the SOE's Deputy Policy Manual as well as the Accounting and Administrative Procedures Guide do not include certain key activities. Best practices in internal controls indicate that written policies and procedures help ensure consistency in the quality of work and application of laws and regulations.

The Deputy Policy Manual provides guidance for employees regarding their job and benefits. The manual does not include, for example, policies for exempt employees or the educational benefits offered to staff.

The Accounting and Administrative Procedures Guide directs staff in conducting various financial-related activities. The guide did not include certain activities such as usage of credit cards and cell phones.

Also, the two manuals do not indicate who has ownership or responsibility for their review and periodic update.

Recommendations:

The SOE should:

1. Review and revise the manuals to address any inaccuracies and ensure their completeness.
2. Develop policies and procedures for exempt employees' jobs and benefits, staff educational benefits, use of SOE credit cards and cell phone usage.
3. Assign one or more individuals to review and update policies and procedures on a regular basis. In addition, SOE should place all policies and procedures on the SOE's Intranet for easy access among staff.

Management Responses:

1. The review and updates of policies will be an ongoing effort by management staff. Updated policies will be made available to staff via the shared drive.

Consideration will be made to include policies on the SOE website as seen appropriate. Target Completion Date: Ongoing

2. See response in #1 above.
3. See response in #1 above.

9. Unexpended FY 2008 funds were used to cover unanticipated FY 2009 expenses.

In December 2008, SOE expenses exceeded the FY 2009 budget distribution made under the monthly statutory funding protocol, as defined in F.S. 129.202. The protocol provides an option to request additional funding to cover unanticipated or unusual expenses, provided the request does not exceed the annual budget. Instead of requesting the additional funding from the Board of County Commissioners (BCC), SOE used the unexpended portion of their FY 2008 funding (referred to as excess fees) to cover the higher than anticipated expenses. For FY 2008, the excess fees totaled \$1.4 million.

After fiscal year end on September 30, 2008, the SOE's unexpended funds (excess fees) should be returned to the County, though the funding protocol does not establish a required deadline. SOE's practice was to return the monies after the annual financial statement audit report was issued, which verified its accuracy. For FY 2007, excess fees totaling \$651,827 were returned to the County on April 29, 2008.

Recommendation:

The SOE should:

1. Determine if additional funding is required to cover the increased general election expenses. If so, the needed funding should be requested from the BCC from its FY2009 budget. SOE should coordinate with the County, agree upon the timing and repay the unexpended FY 2008 balance.
2. Establish an annual deadline for transmitting excess fees to the County. While F.S.129 allows the SOE Office to maintain the books open for 30 days after fiscal year end for vouchering and charging expenses, good accounting and fiscal practices indicate that the close-out process and return of excess fees should occur within 60 days of fiscal year end.

Management Responses:

1. Additional funding will not be required for 2009. The unexpended funds from 2008 (excess fees) were remitted to the BCC in May 2009.
2. FS 129.202 requires that unexpended funds at the end of the fiscal year are refunded to the county, yet excludes definitive timing of the return. When required, the refund of excess funds will be made upon finalization of year end reporting to the County Clerk & Comptroller's office.

10. Additional opportunities exist to reduce operating costs

Various opportunities exist to reduce operating expenses, which SOE has largely identified and initiated efforts to address.

- SOE currently leases space at two County facilities on or near airport property known as Sky Chef and Cherry Road. Lease payments totaled \$284,000 and \$292,000, respectively, between January 2007 and December 2008. The current Supervisor of Elections stated that the lease at Cherry Road is being terminated and alternatives are being sought.
- SOE contracted with a vendor, SOE Software, to provide and maintain its website at a cost of \$92,000 annually. The website includes an entire page labeled “Just for Kids”, which includes links to several federal educational websites that are largely not related to elections. One link with potential relevance, “Kids Voting USA”, provides educational materials though it is directed at children under the voting age.
- SOE pays monthly fees throughout the entire year to Verizon for cell phones and network access cards used at polling places during election periods. Opportunities exist to reduce costs by limiting usage and access to the limited time periods required.

Recommendations:

The SOE should:

1. Continue evaluating the high cost of the leased facilities and determine if alternatives exist to meet their space needs at a lower annual cost.
2. Review its current contracts with SOE Software and Verizon and determine whether more economical alternatives exist.

Management Responses:

1. A new lease to accommodate the SOE needs for warehousing, storage and tabulation has been approved. The change will eliminate two leased properties, with one new property being leased. This will provide a much improved and efficient operation which will enhance the SOE's ability to conduct elections for Palm Beach County. Target Completion Date: 3rd Quarter 2009.
2. Services with Verizon wireless for precinct telephones and air cards have been revised, which will provide estimated annual savings in excess of \$100,000. The contract with SOE is currently under review to determine the future requirements of the software; cost savings will be determined. Target Completion Date: 3rd Quarter 2009.

11. SOE Office operating costs may be reduced over time by transferring financial and payroll processes to the Clerk & Comptroller

The Supervisor of Elections expressed her intent to return her office's financial and payroll processes to the Clerk's Office. The audit identified specific costs which could be reduced by transferring these responsibilities. An annual savings of \$205,000 is estimated, which would be offset by costs incurred by the SOE in adding staff and poll workers to the Clerk's Oracle PeopleSoft system for payroll processing. The PeopleSoft costs would be largely incurred in the first year of implementation, which are estimated at \$221,000.

These cost reduction opportunities relate to the Fundware application for financial processes, Paychex payroll processing, third-party (A. L. Jackson) accounting support, and potential staff reductions. Actual costs incurred for these areas from January 2007 through December 2008 are summarized below, while staff savings are estimated.

Cost Description	2007 Calendar Year	2008 Calendar Year	Total Costs	Annualized Costs
Fundware	\$49,497	\$15,120	\$64,617	\$32,309
Paychex	\$8,936	\$54,491	\$63,427	\$31,714
A L Jackson	\$25,149	\$44,226	\$69,375	\$34,688
Staffing	N/A	N/A	N/A	\$106,600
Total				\$205,311

Since January 2007, SOE has used Fundware as its financial processing software application. Fundware tracks budget and expenditures, and includes purchasing and payables routines. Costs for maintenance and technical support for this application would no longer be required.

Beginning in January 2007, SOE used ADP software for payroll processing. Later in 2007, ADP's services were discontinued and Paychex was contracted to handle

payroll. Costs for maintenance and technical support, along with monthly processing fees, would no longer be required.

A.L. Jackson, a public accounting firm, has been providing professional services to SOE since May 2007. The services include assistance with financial records and journal entry preparation, bank account reconciliations, and annual external audit support. These financial services would no longer be required when accounting services were transferred to the Clerk's Office.

The current Director of Business Affairs is largely responsible for budgeting, financial analysis, and supervision of the purchasing, accounts payable, and payroll processing duties performed by the fiscal specialist. With the transfer of much of these responsibilities to the Clerk's Office, this position may no longer be required. Cost savings are estimated using the Director's annual salary (as of January 2009) and a 30% multiplier for related payroll taxes and employee benefits.

Recommendation:

The SOE should:

Continue the assessment and planning efforts to transfer financial and payroll processes to the Clerk's Office. SOE management should determine if sufficient funds are available in SOE's budget to accommodate the upfront and any recurring costs required to utilize the Clerk's PeopleSoft payroll processing.

Management Response:

The SOE has evaluated the upfront and long term costs associated with returning financial and payroll processes to the Clerk's Office. As a result of the Clerk's move to People Soft for payroll processing, the upfront costs associated with this transition are more than \$268,500 this year. Such a large expense was not envisioned in our current budget. Instead, the SOE has negotiated to return the SOE employees to the ISS HRIS system at no cost, and will continue to utilize a private contractor to process payroll. We will also continue to process our own finances, since we will keep our staff position.

The assumptions regarding SOE's annual savings have been somewhat overstated, as there are other functions that are performed by the staff and by the accounting services that were attributed to finances and payroll.

We will continue to work with the Clerk's Office to determine if a more affordable process can be established in the future.

