



# County of Yolo

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## DEPARTMENT OF FINANCIAL SERVICES

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- *Financial Strategy Leadership*
- *Budget & Financial Planning*
- *Treasury & Finance*
- *Tax & Fee Collection*

- *Financial Systems Oversight*
- *Accounting & Financial Reporting*
- *Internal Audit*
- *Procurement*

April 28, 2016

Jeffrey Barry

Interim Clerk/ Recorder /Registrar of Voters/Assessor

625 Court Street, Room 104

Woodland, CA 95695

Re: Final Elections Review Results, Findings, and Recommendations

Dear Mr. Barry:

In connection with our special review for the period of July 1, 2005 to December 31, 2015, of the Elections Office (Office) we reviewed various administrative and financial procedures and related controls relating to contracts, procurement, purchase cards, and other expenditures. For the period under review elections expenditures totaling approximately \$21 million was considered as our testing universe; this amount does not include expenditures for the month of November or December that were captured in the Infor system because the numbers were unadjusted at the time of our review.

The elections staff has been instrumental in helping us to gain an understanding of the environment and providing valuable insight on numerous processes and events that have impacted elections over several years. At this time we have completed our review for the purpose of helping management identify areas that should be further reviewed and changes implemented. Prior to the exit conference held on April 13, 2016, you were provided the draft report for your review. During the exit conference we discussed the findings and recommendations and you and your staff were already in the process of developing a Corrective Action Plan (CAP) and starting to implement some of the recommendations. Further, you provided a response to the draft report on April 15, 2016, which is included in the attached document following the report.

Our examination was performed accordance with professional auditing standards established by the American Institute of Certified Public Accountants (AICPA) and in accordance with Government Code Section 1236 that requires that these standards be followed. Our examination disclosed opportunities for immediate improvements in the Elections Office's organizational, financial, and administrative procedures. We believe that the items below should be brought to your attention and recommend immediate consideration.

## 1. Finding- Contracted Services

**As a result of the review over elections contract policies and procedures, the following matters were identified:**

Numerous service agreements were initiated with outside parties, current and prior county employees, previously elected officials and other entities regarding various election activities that did not follow the county's contract and procurement policies and/or have the approval of county counsel, or the board. The agreements include services for web development, design, and monitoring, voter outreach, research, polling, and other arrangements for services with communications and data network vendors.

Based on our review the staff were acting at the request and directions of the elected official holding the office during the period under review. Additionally, staff were not provided necessary training and development over county contract policies and procedures, and appears to have been misguided on the interpretation of various Election Codes regarding exemptions over expenditures relating to Election Day events. Further, based on interviews with various staff, review of the internal control questionnaire completed by management, and in review of the elections office processes and procedures over contracts, the office policies and procedures lack proper separation of duties that could have helped to ensure that proper processes were followed and transactions were appropriate. Further review detailed that there are no written desk procedures and other protocols that would support strong systems of control and help to ensure proper contract practices.

Staff often relied on Election Code 14-100 that provides exemptions for Election Day materials and supplies. It appears that this code was often referenced in order to avoid county contract policies relating to numerous service agreements. However, EC 14-100 does not provide such exemptions for services. More guidance from county counsel was recommended to staff.

As a result the elections office may have obligated the county with various agreements unknown to the county that may not have been necessary and/or not at the appropriate rate or payment. Agreements that may have placed unnecessary risk of liability on the County regarding insurance requirements, proper treatment of income reporting to the Federal or State and other liability risks not addressed, questionable use of overtime, duplicate payment to employees, and duplicate payment to poll workers, etc. The services rendered may have been substandard or resulted in failure to perform. Payment for services may lack sufficient supporting documentation, and invoices paid before services were rendered. Additionally, county policies regarding contemporaneous employment and other county policies including conflict of interest were not considered.

Based on our review there were several material dollar amount agreements that have been initiated with elections outside of the county's contract policy. According to Staff they worked with prior county counsel and were given the go ahead. However, when asked for the proof of approval, or stamp from county counsel one could not be provided. Also, staff shared that county counsel was informed and

provided guidance over other larger dollar agreements that did not follow the county's contract policy. However, no evidence could be provided to support such a statement.

Examples of agreements for services that may not have followed county policies include a service contract with Hart Intercivic for expenditures totaling \$3,024,470; DNC which has several vendor numbers totaling approx. \$150,000; a service agreement between the elections and a current county employee totaling approx. \$400,000 for the review period; several service contracts were found to provide repetitive services that may have been initiated, and may have conflict of interest concern include service agreements with the prior elected officials, and other related parties that resulted in a substandard work product that was not useful or used for the intended purpose as stated in the agreement; numerous other service agreement for the same intended purpose was also identified. These matters have been recommended to the county procurement manager and county counsel for further review.

**Recommended Actions:**

1. The staff should review all their agreements and obligations outstanding and meet with the county's procurement manager and/or county counsel to ensure that the county is properly informed of their existing obligations.
2. The staff should seek guidance and understanding on proper county contract policies and interpretation of the county's contract manual, including any exemptions to which Elections may be entitled.
3. The staff should be provided proper training of the contract processes, proper documentation requirements, and other county policies that may be impacted as a result of a contract (e.g. conflict of interest, contemporaneous employment, etc.).
4. Staff should review their current practices and staff responsibilities and ensure that proper separation of duties exist (staff can contact internal audits for examples and further guidance).
5. Staff should develop and implement written procedures that ensure that the county's contract policies are adhered to.
6. Staff should seek guidance by county counsel on proper interpretation and uses of applicable Election Codes where an exemption is applicable (e.g. EC14-100).
7. Staff should seek understanding from county counsel regarding proper protocols for approval and proper authorization by county counsel or the board where applicable.
8. Department of Financial Services (DFS) accounting staff should ensure there are sufficient supporting documentation and that contracts are on file before approving the claim (invoice) for payment.
9. Staff should work with General Service's IT department to ensure that there is sufficient security around IT, web development, and website maintenance.
10. DFS- Division of Internal Audit will develop a plan to incorporate a continuous review over countywide contracts, pending audit staff resources are available, as part of their annual audit plan to help prevent and detect misuse thus reducing the overall risk to the County.

## **2. Finding- Procurement Materials, Supplies, Software, and IT Equipment**

**As a result of the review over the elections procurement policies and procedures, the following matters were identified:**

Numerous material and supply agreements, including equipment purchases and software were initiated with various outside vendors that did not always follow county procurement policies or involve the County's IT department.

Based on our review the staff was acting at the request and directions of the elected official holding the office during the period under review. Additionally, staff were not provided necessary training and development over county procurement policies and procedures, and appears to have been misguided on the interpretation of various Election Codes regarding exemptions over expenditures relating to Election Day events. Further, based on interviews with various staff, a review of the internal control questionnaire completed by management, and a review of the elections office processes and procedures over procurement, the office policies and procedures lack proper separation of duties that could have helped to ensure that proper processes were followed and transactions appropriate. Further review detailed that there are no written desk procedures and other protocols that could support strong systems of control and help to ensure proper procurement practices.

Election Code 14-100 that provides exemptions for Election Day materials and supplies appears to have been referenced often in order to avoid county procurement policies even outside of election years. More guidance from county counsel was recommended to staff.

As a result the elections office may have obligated the county with various vendor agreements unknown to the county that may not be necessary and/or not at the appropriate rate or payment. The county may have vendors that have been vetted which the office could have piggybacked with in order to be more cost effective and with a more efficient use of public resources by saving staff resources regarding bidding, and other required procedures and discounts, all while providing assurance of arm's length transactions.

The material and supplies, equipment or software purchased may not have been necessary, appropriate, or properly tracked once purchased, or when surveyed. Equipment may have been inappropriately loaned out to other entities outside of Yolo County. Dollar limits were ignored, one time claims were paid, purchase cards were misused, and other payment methods that are may not have been appropriate.

The office is not on the county's IT systems backbone and relies on outside agreements to maintain the system. Should that one point of contact fail the county's elections web and other IT systems support would not be recoverable through the county's IT systems backbone.

Examples of agreements for materials, supplies, equipment and software that may not have followed county policies include a software agreement for DIMS with expenditures totaling \$580,000; an

agreement with Diversified Direct Inc totaling \$87,000; an agreement with Martin & Chapman Co totaling approx. \$1.7 million; Response Envelopes totaling \$141,000; and Sequoia Voting Systems totaling \$836,000. There are numerous other material dollar agreements that provide similar products for the same time period.

We have recommended that staff work with the county's procurement manager, IT department, and county counsel to ensure that agreements are appropriate, and county policies are followed.

### **Recommended Actions:**

1. The staff should review all their vendor agreements and obligations outstanding and meet with the county's procurement manager and/or county counsel to ensure that the county is properly informed of their existing obligations.
2. The staff should seek guidance and understanding on proper county procurement policies and interpretation of the county's procurement manual, including any exemptions to which Elections may be entitled.
3. The staff should be provided proper training of the procurement processes, proper documentation requirements, and other county policies that may be impacted as a result of an outside agreement (e.g. conflict of interest, duplication of work, system network control failure and recovery, etc.).
4. Staff should review their current practices and staff responsibilities and ensure that proper separation of duties exist (staff can contact internal audits for examples and further guidance).
5. Staff should develop and implement written procedures that ensure that the county's procurement policies are adhered to.
6. Staff should inventory all their equipment, monitor and track all equipment (minor and major) and ensure that equipment is being properly and appropriately used, loaned, rented, etc.
7. Staff should seek guidance by county counsel on proper interpretation and uses of applicable Election Codes where an exemption is applicable (e.g. EC14-100).
8. Staff should seek understanding from county counsel regarding proper protocols for approval and proper authorization by county counsel or the board where applicable.
9. DFS accounting staff should ensure there are sufficient supporting documentation and that contracts are on file before approving the claim (invoice) for payment. If one time claims are being processed for the same vendor often, DFS staff should refer the matter to the procurement manager for review.
10. Staff should work with General Service's IT department to ensure that there is sufficient security around IT, web development, and website maintenance.

### **3. Finding- Purchase Card use and Expenditures**

**As a result of the review over the elections purchase card (p-card) uses and policies and procedures, the following matters were identified:**

Numerous material and supplies, including IT equipment purchases and software are purchased with various p-cards held by staff in the Office. Additionally, several of the staff use the p-cards (also known

as Cal Card) to purchase supplies that can be purchased through an open county purchase order that provides for group discounts.

IT equipment such as hard drives, smart phones, iPads, iPhones, and laptops are freely purchased on the p-card. The office does not require staff to acquire approval or involve the county's IT department or county procurement before purchasing equipment.

There is no tracking tool or inventory performed on the equipment and staff are unable to identify where some of the equipment is located. There are no tracking tools for disposed, loaned or rented equipment.

The office employs a small number of staff and all but 3 have p-cards. Staff that no longer work in the election office maintains their purchase cards and continues to use them freely to book unauthorized expensive travel for training that is no longer necessary to perform their duties. A review of their p-cards identified airline tickets, hotels, parking, and payment for monthly cell phone services for their county issued cell phones.

An initial review of the various staff's p-cards identified the following routine purchases:

- Large dollar postal charges
- USPS.com
- Amazon.com
- Amazon Market Place
- Monthly Cell and Air-cards (several billings for monthly services found on a single card, and on several staff's p-cards)
- Fry's Electronics
- NewEgg.Com
- Food items from various locations
- Monthly water service
- Staples
- Erogotech Group
- Tower Market
- Equipment supplies
- Various IT vendors
- Apple Store
- Hotels, rental car, and airport parking (many duplicate tickets and duplicate hotel bookings for the same date and on several different staff's p-cards)
- Various other parking
- Ikea
- Los Rios Community College
- New York Times Natl. Sales
- Nugget Market
- Walmart; and

- Other various...

Based on our review the staff were acting at the request and directions of the elected official holding the office during the period under review. Additionally, staff appears to not have been provided sufficient training and understanding of the appropriate use of the purchase cards.

Staff appears to have been misguided on the interpretation of various Election Codes regarding exemptions over expenditures relating to elections.

Further review detailed that there are no written procedures and other protocols that could support strong systems of control and help to ensure proper practices. Too many p-cards have been issued to elections staff.

A recommendation to staff that a maximum of two cards used only for emergent situations that might arise during an election period be maintained and all others to be cancelled.

Cell phones have been issued to both management and non-management staff and monthly services have been billed for several years automatically on p-cards. Further, some staff that have been reassigned to another office within the county have kept their county issued cell phones and are still having their monthly services billed to their election office p-cards that they still use.

The county has several group rate agreements with cell phone providers at discounted rates for those that require and have proper approval for use of a county issued cell phone.

It was also noted that there are additional cell phones through Verizon that are used only during the elections to ensure that polling places and others are able to communicate. These cell phones appear to be necessary and appropriate and not included as part of the cell phones that are used by elections staff or the monthly charges identified on various p-cards.

It was also noted that laptops, iPads, and iPhones were purchased at the request of the elected official and other staff and were lost and/or damaged and repurchased on several occasions, without recovery of the damaged equipment. We requested that staff provide a detailed listing or any type of tracking of these items and were told that one did not exist.

As a result the elections office may have obligated the county with various vendor agreements unknown to the county that may not be necessary and/or not at the appropriate rate or payment. The county may have vendors that have been vetted which the office could have piggybacked with in order to be more cost effective and a more efficient use of public resources by saving staff resources regarding bidding, and other required procedures, discounts, all while providing assurance of arm's length transactions.

The material and supplies, equipment or software purchased may not have been necessary, appropriate, and has not been properly tracked when purchased, or when surveyed. Dollar limits were ignored, one

time claims were paid, and purchase cards were misused, and other payment methods were used that may have been inappropriate.

The office is not on the county's IT systems backbone and relies on outside agreements to maintain the system. Should that one point of contact fail, the county's elections web and other IT systems support would not be recoverable through the county's IT systems backbone. The agreements initiated with various vendors to develop, design, and maintain the current office website does not appear to be at arm's length, may include conflict of interest issues, and was not initiated through the county's procurement, IT department, or county counsel for approval.

Expenditures totaling approx. \$6.4 million was identified for the period. This amount is identified in the county's fiscal system as internal billings, telephone, courier services, ITD and Cal Card (p-cards) Transactions.

We have recommended that staff work with the county's procurement manager, IT department, and county counsel to ensure that agreements are appropriate, and county policies are followed.

**Recommended Actions:**

1. The staff should review their monthly obligations that they currently have setup on the p-cards and work with county procurement to identify agreements that are appropriate and have them setup through the necessary channels.
2. Staff should cancel all agreements that are not appropriate and cancel cell phones services for staff that should not be charging this use to the county.
3. Purchase cards should be cancelled for all but two staff members that management deems necessary.
4. Training should be provided to all staff on the appropriate use of p-cards.
5. Staff should work with the county IT department and procurement to procure contracts for vendors for web development, design, and maintenance to ensure appropriate agreements are formed and the county's IT department is informed and monitors the outside website regularly. If necessary county counsel should be included. This process should be followed for the purchase of IT Equipment, software, and other electronic equipment.
6. Management should review the county's policies and procedures on cell phones and determine if the staff that currently hold cell phones meet the requirements. All other cell phones should be taken and monthly services stopped.
7. The staff should be provided proper training of the procurement processes, proper documentation requirements, and other county policies that may be impacted as a result of an outside agreement (e.g. conflict of interest, duplication of work, system network control failure and recovery, etc.).
8. Staff should review their current practices and staff responsibilities and ensure that proper separation of duties exists over monthly reviews of p-card expenditures (staff can contact internal audits for examples and further guidance).
9. Staff should develop and implement written procedures that ensure that the county's p-card policies are adhered to.

10. DFS accounting staff should ensure there is sufficient supporting documentation provided prior to paying the p-cards for the elections office. If p-card use appears to be inappropriate or is being misused, staff should refer the matter to internal audits for further review.
11. DFS and CAO should consider bringing the p-cards program under a centralized point person, such as the county's procurement manager where p-cards use is monitored on an ongoing basis, tracked by department, and daily and monthly dollar limits reviewed to ensure amounts are necessary and appropriate.
12. DFS- Division of Internal Audit will develop a plan to incorporate a continuous review over countywide purchase cards, pending audit staff resources are available, as part of their annual audit plan to help prevent and detect misuse thus reducing the overall risk to the County.
13. Elections should consider assigning one point person to initiate all contracts and procurement with vendors. The point person should track agreements to ensure that proper processes are being followed and no unnecessary or inappropriate agreements are created and payments are processed through the appropriate channels. Having one point person would also add a layer of oversight and timely reconciliations to help ensure over payments do not occur. This would further encourage good system of controls including proper separation of duties.

#### **4. Finding-Hiring Practices and other Payroll Issues:**

**As a result of the review over the elections hiring and other payroll practices, the following matters were identified:**

##### **Permanent/Extra Help and At-will Hiring**

Based on interviews with staff allegations were raised that the appropriate county hiring practices may not have always been followed. Matters identified include:

- Staff being directed (on paper only) to add layers on the organizational chart in order to evade the county's hiring policies including related parties.
- Side agreements with various parties relating to research, outreach, web design, etc., were initiated that resulted in a follow-up recommendation to hire a certain individual that was later hired; upon review of the agreements potential conflict of interest policies have been ignored. A recommendation to staff to consult with county counsel was provided.
- Pay rates may have been granted that were above the standard rate of pay for extra-help positions.
- Permanent full time vacant positions may have been reallocated to at-will positions in order to pick up staff that did not meet minimum qualifications of the permanent position.
- Staff may have been promised pay raises at numerous that were never seriously considered beyond the office.
- Staff may have participated in interviews for open positions that later were cancelled because they were told that there was no budget. However weeks later a new employee was hired under another title.
- At-will staff were hired that were unable to perform their duties, or work well with staff, were shuffled to other offices where they also did not work well with others and were unable to

perform their duties. Currently 2 of the 3 that were hired as at-will are paid a rate of pay well over their co-workers performing the same or a higher level of work duties because they were unable to work well with other election staff. It should be noted that they are among the staff that currently hold cell phones, have their monthly cell phones billed to p-cards, and maintain their p-cards that were issued to them while in elections. Further, both continue to use their p-cards and at least one still attends expensive elections training out of state and bills it to the p-card. This individual has been out of Elections for over a year. These same at-will positions were considered by management as no longer needed so they were both placed in other offices. According to staff prior to the official's resignation direction was given to the supervisors to terminate their positions. The Supervisor that manages these staff does not believe this is his/her responsibility and prefers to defer the matter to the next appointed department head. The positions have not been vacated.

- Based on the review there appears to be several extra-help positions that were hired due to a related party relationship that were made permanent employees prior to the official's resignation.

We recommend that the Elections department head work with the county's human resources department to look into these matters and determine if hiring practices were appropriately handled.

#### **Vendors paid through county payroll**

Two individual's that perform business under an Limited Liability Partnership (LLP) that are also affiliated with another large agreement with elections that did not go through proper county contract procedures are paid 5 to 10 hours a month each for ongoing maintenance of elections website.

#### **Poll workers**

During the review the staff explained the process around poll workers. According to staff, over 90% of poll workers are returning poll workers. The current processes include entering up to four-hundred names without social security number or federal tax ID number into a spreadsheet and processing them through DFS as one-time claims. After the checks are processed the checks are not mailed out to individual addresses rather returned back to Elections staff for review and to be mailed out.

The same process is used for payment of facilities that charge a fee to Yolo for poll stations. The checks are processed through as one-time claims and delivered back to elections to be mailed out.

To help prevent and detect potential fraud and misuse of public funds, once checks are processed DFS should mail the checks directly to the poll workers and facilities. Because there are no social security or federal ID numbers attached once the check leaves DFS they can be endorsed by anyone and deposited into anyone's account or cashed directly at the bank. A recommendation has been provided to staff regarding the concerns and also shared with DFS.

#### **Recommended Actions:**

1. Election management should seek guidance and understanding regarding proper hiring practices from the county's human resources department.

2. Human resources (HR) should review elections staffing to ensure proper protocols were followed both in fact and appearance for all staffing positions. At-will employees should be reviewed to determine that the positions were appropriate and that position titles given are proper and pay rates are according to county rates of pay.
3. HR should perform a review of all classifications to ensure that elections staff classifications are county classifications and appropriately titled.
4. Management should review all elections staff duties and evaluate to ensure that staff are performing duties at the appropriate level of responsibilities and in accordance with staff's written duty statements; duties statements should be revised if necessary and in accordance with the employees MOU.
5. Staff should work with HR to remove payments being processed and paid through county payroll to vendors or other non-employee, 1099, or extra help relationships from the county's payroll system.
6. Staff should work with the county procurement manager to ensure that the vendor agreement is proper and payment can be processed through the DFS.
7. DFS should work with elections staff on budget allocation for staffing to ensure that staff reside in the offices that they are allocated and ensure accordance with the official budget document.
8. Staff should develop and implement written procedures that ensure that the county's hiring policies are consistent with the county.
9. Staff should work with HR, County Counsel, and DFS on proper procedures for processing one-time claims and further consider how the county will process poll workers. Regardless, claims processed should be mailed out directly from DFS and not returned back to Elections to mail (staff can contact internal audits for examples and further guidance).
10. DFS should review their processes and practices around claims processing and their check delivery/ mailing policies and consider the risk associated.

The Elections Staff have been cooperative and diligent during our review. They are already working to make improvements and are eager to do what is necessary to get Elections on track and ensure they are following the appropriate county policies. Again, their efforts are appreciated and respected.

We request that you work with your staff to prepare a Corrective Action Plan (CAP) and submit it to us by June 30, 2016. The CAP should include the finding (s), recommendation (s), the action steps to be taken, and expected completion dates. If you would like guidance and an example of a CAP please contact us. After we've received your CAP we will perform a follow-up every 6 months to determine if the plan is being implemented and is effective.

I would be pleased to discuss the matters reported or to answer any questions. Please contact me at (530) 666-8190 Ext 9210 or at [mary.khoshmashrab@yolocounty.org](mailto:mary.khoshmashrab@yolocounty.org).

Sincerely,



Mary E. Khoshmashrab, MSBA, CPA  
Internal Audit Manager  
County of Yolo

Enclosure: Response to Elections Review Results, Findings, and Recommendation Report.

cc: Chair Provenza and Members, Yolo County Board of Supervisors  
Pat Blacklock, Yolo County Administrator  
Howard Newens, CIA, CPA, Chief Financial Officer  
Phil Pogledich, Yolo County Counsel  
Jesse Salinas, Clerk/Recorder/Registrar of Voters/Assessor  
Kevin Yarris, Director, Department of General Services  
File

FINAL REPORT RELEASED ON 7/25/2016