



# County of Riverside

## INTERNAL AUDITOR'S REPORT

### Riverside County Registrar of Voters

**August 28, 2006**

Office of  
**Robert E. Byrd, CGFM**  
County Auditor-Controller

4080 Lemon Street  
P.O. Box 1326  
Riverside, CA 92502-1326



OFFICE OF THE  
COUNTY AUDITOR-CONTROLLER

County Administrative Center  
4080 Lemon Street, 11<sup>th</sup> Floor  
P.O. Box 1326  
Riverside, CA 92502-1326  
(951) 955-3800  
Fax (951) 955-3802



COUNTY OF RIVERSIDE  
AUDITOR-CONTROLLER  
**Robert E. Byrd, CGFM**  
AUDITOR-CONTROLLER

**Bruce Kincaid, CPA**  
ASSISTANT AUDITOR-  
CONTROLLER

August 28, 2006

Ms. Barbara Dunmore, Registrar of Voters  
Riverside County Registrar of Voters  
2724 Gateway Drive  
Riverside, CA 92507

Subject: Internal Auditor's Report #2006-010 – Riverside County Registrar of Voters

Dear Ms. Dunmore:

We have completed an audit of the Riverside County Registrar of Voters. We conducted the audit during the period March 21, 2006 through August 8, 2006, for operations of July 1, 2003 through August 8, 2006.

Our purpose was to provide management and the Board of Supervisors with an independent assessment about the adequacy of internal controls over the department's processes and fiscal procedures.

We conducted our audit in accordance with the auditing standards established by the Institute of Internal Auditors. These standards require that we plan and perform the audit to provide sufficient, competent, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusions.

Based upon the results of our audit, we determined the department had an adequate system of internal controls over the acquisition, monitoring and disposal processes of capitalized and non-capitalized assets. Throughout the audit, we discussed the results contained in this report, as well as comments and suggestions of lesser significance, with the appropriate level of management.

We thank the Registrar of Voters' management and staff for their cooperation during the audit. Their assistance contributed significantly to the successful completion of the audit.

Robert E. Byrd, CGFM  
County Auditor-Controller

By: Michael G. Alexander, MBA, CIA  
Chief Internal Auditor

cc: Board of Supervisors  
County Counsel  
Executive Office  
Grand Jury

## Table of Contents

	<b>Page</b>
<b>Executive Summary.....</b>	<b>1</b>
<b>Objectives and Methodology.....</b>	<b>2</b>
<b>Results.....</b>	<b>3</b>
<b>Capitalized Assets.....</b>	<b>3</b>
<b>Non-Capitalized Assets.....</b>	<b>4</b>

## **Executive Summary**

---

- Overview** The stated mission of the Riverside County Registrar of Voters is to ensure the electoral process is conducted professionally, consistently demonstrating neutrality and non-partisan decision-making, based upon a thorough knowledge of and compliance with all election laws by administering them timely, responsively and with integrity on behalf of those they serve.
- The County Registrar of Voters is responsible for administering a budget consisting of approximately \$7.5 million in expenditures and \$4 million in revenue for fiscal year 2006/2007. With a current staff of 32, the Registrar of Voters plans, organizes the conducts all the primary, general and special elections that take place throughout the year for the County of Riverside.
- Overall Objective** Our primary audit objective was to determine the existence and adequacy of internal controls over the acquisition, monitoring and disposal processes of capitalized and non-capitalized assets.
- Overall Conclusion** Based upon the results of our audit, we determined the department had an adequate system of internal controls over the acquisition, monitoring and disposal processes of capitalized and non-capitalized assets.
- Details about our audit methodology and results are provided in the body of our report.

**Objectives** To determine the existence and adequacy of internal controls over the acquisition, monitoring and disposal processes of capitalized and non-capitalized assets.

**Methodology** To accomplish our objectives, we:

- performed a financial analysis for the period July 1, 2003 through May 31, 2006;
- identified and reviewed applicable policies and procedures, Board ordinances, laws, codes and regulations;
- conducted interviews and performed walk-throughs with department personnel;
- gained an understanding and documented the following processes:
  - ✓ technological security surrounding Riverside County's Voting Units
  - ✓ accounts receivable and cash handling
  - ✓ accounts payable and expenditures
  - ✓ inventory
  - ✓ acquisition, monitoring and disposal of capitalized and non-capitalized assets
- performed a risk assessment of the above processes; and,
- conducted operational reviews and observations.

Our understanding and subsequent risk assessment of the department's processes resulted in our determination that the greater risks are over capitalized and non-capitalized assets. As such, we performed detailed testing of the department's acquisition, monitoring and disposal processes of capitalized and non-capitalized assets.

**Results**

**Capitalized Assets**

---

Capitalized assets are tangible or intangible assets with significant value and a utility beyond one fiscal year. Capital assets include land, land improvements, easements, building, building improvements, vehicles, machinery, equipment and infrastructure. Vehicles, machinery and equipment with a cost over \$5,000 qualify as a capital asset, as described in the Auditor-Controller's Office Standard Practice Manual Section 913 issued on December 12, 2005.

Capitalized costs include the value paid for the asset, sales tax, interest, transportation charges, insurance while in transit and costs associated with preparing the asset for its intended use, such as, special foundations and installation costs. The cost of capital assets should be systematically expensed (depreciated) over its useful life. However, some assets are inexhaustible, such as land and land improvements, and are not depreciated since they retain their value.

As of June 30, 2006, the Registrar of Voters had 43 capitalized assets costing more than \$1.4 million and categorized as followed:

<b>Asset Category</b>	<b>Cost (In Thousands)</b>	<b>Percentage of Total Assets</b>
Construction Equipment	\$25	1.7%
Leased Equipment	894	60.3%
Office Equipment	376	25.4%
Software	16	1.0%
Vehicles	172	11.6%
<b>Total Registrar of Voters Assets</b>	<b>\$1,483</b>	<b>100%</b>

Of the 43 capital assets, we selected a representative sample of 27 assets and verified the existence, monitoring and valuation of these capital assets. In addition, we evaluated the acquisition process for five capital assets and the disposal process for four capital assets.

Based upon the results of our testing, we determined no issues existed over the acquisition, monitoring and disposal processes of capitalized assets.

## Results

### Non-Capitalized Assets

Non-capitalized assets are similar to capital assets, though not meeting the significant value criterion (over \$5,000). Examples include computers, furniture, personal digital assistants (PDAs), adding machines and printers.

Walk-away items are non-capitalized assets (i.e. do not meet significant value criterion) that are generally small, mobile, and easily converted to personal use, having a street value or fair market value of at least \$200. Examples include firearms, video equipment, two-way radios, cameras, GPS units, cellular phones, facsimile machines, computer peripherals, printers, mobile phones, and power tools.

During fiscal year 2005/2006, the Registrar of Voters expended \$12.9 million to upgrade the county's voting unit inventory from Edge I to Edge II, which includes the purchase of 3,700 Edge II voting units, 4,440 voting printers and 740 new audio units. The Direct Record Electronic (DRE) Edge II voting units with a Voter Verified Paper Audit Trail (VVPAT) are certified for use in California elections. The new Edge II units were used to conduct the Rancho Mirage Municipal Election on April 11 and the Gubernatorial Primary Election on June 6, 2006.

We obtained a list of the department's non-capitalized assets as of August 8, 2006, along with the supporting documentation for a representative sample of assets purchased during fiscal year 2005/2006. The representative sample of the department's non-capitalized assets was utilized to evaluate the acquisition, monitoring and disposal processes of non-capitalized assets.

During our audit, we identified that the warehouse, where the voting units are stored, is accessible to all employees. Through discussions with management and through the understanding that we gained of the process, we believe the risk of voting units being tampered with is mitigated through the controls and procedures currently in place.

Based upon the results of our testing, we determined no significant issues existed over the acquisition, monitoring and disposal processes of non-capitalized assets.