

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



ITEM: 2.10
(ID # 22491)

MEETING DATE:
Tuesday, August 01, 2023

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR CONTROLLER: Internal Audit Report 2023-318: Riverside County Registrar of Voters Follow-up Audit, All Districts [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2023-318: Riverside County Registrar of Voters, Follow-up Audit.

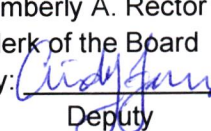
ACTION: Consent


Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 7/18/2023

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Spiegel, seconded by Supervisor Gutierrez and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Spiegel, Perez, Washington, and Gutierrez
Nays: None
Absent: None
Date: August 1, 2023
xc: Auditor Controller

Kimberly A. Rector
Clerk of the Board
By: 
Deputy

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA**

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 0	\$ 0	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: N/A			Budget Adjustment:	No
			For Fiscal Year:	n/a

C.E.O. RECOMMENDATION: [CEO use]

BACKGROUND:

Summary

We completed a follow-up audit of the Riverside County Registrar of Voters. Our audit was limited to reviewing actions taken as of March 6, 2023, to correct findings noted in our original audit report 2021-018 dated July 20, 2021. The original audit report contained six recommendations, all of which required implementation to help correct the reported findings.

Based on the results of our audit, we found that of six recommendations:

- Four of the recommendations were implemented.
- Two of the recommendations were not implemented.

For an in-depth understanding of the original audit, please refer to Internal Audit Report 2021-018 included as an attachment to this follow-up audit report, or it can also be found at <https://auditorcontroller.org/divisions/internal-audit/reports>.

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

Additional Fiscal Information

Not applicable

ATTACHMENTS:

A: Riverside County Auditor-Controller - Internal Audit Report 2023-318: Riverside County Registrar of Voters, Follow-up Audit.

Internal Audit Report 2023-318

Riverside County Registrar of Voters
Follow-up Audit

Report Date: August 1, 2023



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Ben J. Benoit
Riverside County Auditor-Controller

Tanya S. Harris, DPA, CPA
Assistant Auditor-Controller

August 1, 2023

Rebecca Spencer
Registrar of Voters
Riverside County Registrar of Voters
2724 Gateway Drive
Riverside, CA 92507

Subject: Internal Audit Report 2023-318: Riverside County Registrar of Voters Follow-up Audit

Dear Ms. Spencer:

We completed the follow-up audit of Riverside County Registrar of Voters. Our audit was limited to reviewing actions taken as of March 6, 2023, to help correct the findings noted in our original audit report 2021-018 dated July 20, 2021.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that our objective, as described in the preceding paragraph, is achieved. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusion.

The original audit report contained six recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that of the six recommendations:

- Four of the recommendations were implemented.
- Two of the recommendations were not implemented.

Internal Audit Report 2023-318: Riverside County Registrar of Voters, Follow-up Audit

Summary of the conditions from the original audit and the results of our review on the status of the implementation of the recommendations are provided in this report. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2021-018 included as "Attachment A" of this audit report along with your department status letter as "Attachment B." You can also find the original audit report at <https://auditorcontroller.org/divisions/internal-audit/reports>.

We thank you and your staff for the help and cooperation. The assistance provided contributed significantly to the successful completion of this audit.



Ben J. Benoit
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA
Deputy Auditor-Controller

cc: Board of Supervisors
Jeff A. Van Wagenen, County Executive Officer
Dave Rogers, Chief Administrative Officer
Grand Jury

Internal Audit Report 2023-318: Riverside County Registrar of Voters, Follow-up Audit

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Attachments:

A. Internal Audit Report 2021-018

B. Status of Findings as Reported by Riverside County Registrar of Voters on March 6, 2023

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Equipment Leases

Finding 1: Lease Expense

“Registrar lease expense totaling \$1.0M was incorrectly recorded. We selected eight purchase transactions and reviewed its supporting documentation. We identified one purchase transaction that contained ten leased assets and a leased election software. This purchase was recorded as capital lease expenses instead of an operating lease expense. As such, the total lease obligation and operating expenses were not recognized and recorded to the proper account nor properly reported in the financial statement.

GASB Statement No. 62, paragraph 222, states, ‘Rental on an operating lease should be charged to expense/expenditure over the lease term as it becomes payable.’ GASB Statement No. 87, paragraph 20, states, ‘At the commencement of the lease term, a lessee should recognize a lease liability and an intangible right-to-use lease asset. A lessee should reduce the lease liability as payments are made and recognize outflow of resources.’”

Recommendation 1.1

“Registrar should work with the Auditor-Controller's Office to ensure proper recognition and reporting of capital and operating leased assets and expenditures.”

Current Status 1.1: Implemented

Recommendation 1.2

“Registrar should develop procedures to ensure future purchase of assets are properly recorded.”

Current Status 1.2: Not Implemented

Although GASB 87 requirements became effective as of June 15, 2021, no procedures have been developed to ensure purchase of any assets are properly recorded.

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Management's Response:

The fiscal/accounting division within the Registrar of Voters consists of 2 positions, both of which were vacated in 2021. The two vacant positions were filled in 2022 and the new staff members are being trained on ACO policies and procedures and GASB requirements. The new fiscal staff will work with the ACO to develop procedures.

Recommendation 1.3

"Ensure department personnel understand the lease agreements of equipment to help determine if assets should be classified and recorded as capital leases or operating leases."

Current Status 1.3: Implemented

Poll Inspector Training

Finding 2: Poll Inspector Training

“Registrar has no evaluation methods and survey forms in place to measure the effectiveness of the poll inspector training program. Once the training for poll inspectors commences, they are required to complete the training in the established timeframe. However, follow-up survey forms were not provided to poll inspectors. Poll inspector training standards, Section 8, prepared by the Office of the Secretary of State as a best practice, states, ‘It is important to measure the effectiveness of training programs. After each training session, poll workers should be asked to fill out forms that assess the quality of the training. Counties can also improve future training by having poll workers complete post-election response forms to evaluate the complete experience.’ With the poll inspectors limited time to acquire the essential election information, the ability to measure the effectiveness of the training is vital for the election process. Monitoring the efficacy of the training process, assessing the quality and performance on a timely basis, and taking the necessary corrective actions will be essential to the elections managed by the Registrar.”

Recommendation 2

“Ensure Registrar design a system to measure the effectiveness and quality of the poll inspector training.”

Current Status 2: Implemented

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Procurement Cards

Finding 3: Compliance with Procurement Card Policies

“During our testing in a sample of three-monthly statements, we found three instances of non-compliance with the procurement card policies and procedures. These three instances involved expenditures exceeding the cardholder’s single purchase limit of \$3,000 and being split into multiple transactions.

The Riverside County Procurement Card Program Manual restricts splitting purchases to circumvent the dollar limitations. When controls are not adequate to ensure compliance with county policies and procedures, it weakens the internal controls established under Riverside County procurement card program and increases the risk of inadequate use of procurement card.”

Recommendation 3

“Ensure procurement cardholders comply with restricted uses relating to the Riverside County Procurement Card Program Procedure Manual. Specifically, ensure purchases are not split to circumvent established single-transaction limits.”

Current Status 3: Not Implemented

Three out of five (60%) transactions reviewed involved expenditures exceeding cardholder’s single purchase limit by splitting purchases into multiple transactions.

Management’s Response:

California Elections Codes 13001 and 14100 allows for an exemption when purchasing election supplies and services.

Auditor’s Comment:

California Elections Codes 13001 and 14100 states that “the county elections official, in providing the material required by this division, shall not be required to utilize the services of the county purchasing agent”. County of Riverside Board Ordinance 459.6, section 7, states election supplies “do not require the purchasing practice of bidding and awarding under the approval of the Purchasing Agent”. While the codes and County Board Ordinance allow exemptions for purchasing precinct supplies, it is important to distinguish that they primarily apply to purchase order requirements.

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The Riverside County Procurement Card Program Procedure Manual states the purchasing card program “is not intended to circumvent any existing statutes or laws, nor is it to be used to circumvent any County or Purchasing procurement procedures and policies as identified in the Purchasing Manual.”. Splitting purchasing card purchases defeats the purpose the internal controls related to the purchasing card program, which are to increase transparency and resource allocation, and decreases the risk of fraud. If there is a continued need to utilize procurement cards above the established limitations, Registrar should work with Riverside County Purchasing and Fleet Services Department to obtain the necessary exemptions or alternative procurement options within the boundaries of applicable statutes and laws.

Purchase Order Process

Finding 4: Timely Issuance of Purchase Orders

“Our review of 30 purchase orders disclosed that five (17%), totaling \$1,895,968 with the highest purchase order totaling \$918,363, were processed after invoices were issued by vendors. Registrar did not follow departmental nor county procedures regarding purchase orders. Registrar policies and procedures and Riverside County Purchasing Manual, Section 3.4, states, ‘Purchases over \$400 require a purchase order unless the item or service was Board approved by Ordinance 459.’ Riverside County Ordinance No. 469, Section (3), Exceptions, indicates no purchases shall be made by any county officer or employee without a purchase order or other written authority first obtained from the Purchasing Agent. Registrar staff waits until the invoice comes before setting up the purchase order. This practice is non-compliant with Riverside County purchasing policies and procedures. Furthermore, purchase orders formalize requirements, pricing, helps with tracking of the items ordered, and serves as a legally binding document.”

Recommendation 4

“Ensure Registrar staff complies with departmental and county purchasing manual by issuing a valid purchase order for all purchases over \$400.”

Current Status 4: Implemented