

**Internal Audit Report on  
Office of Voter Registration & Elections  
Expenditures FY13**

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**County of Henrico**



*Proud of our progress;  
Excited about our future*

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**Internal Audit Report #239  
September 26, 2013**

HENRICO COUNTY INTERNAL AUDIT  
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# Internal Audit Report on Office of Voter Registration & Elections Expenditures FY2013 (Year-to-Date thru February 2013)



Report #239  
September 26, 2013

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## Summary

- Scheduled Audit
- Conclusions on Audit Objectives:
  - ▲ Determine controls exist and are operating effectively to ensure compliance with policies and procedures for non-personnel expenditures including travel
  - ▲ Determine that controls exist and are operating effectively to ensure Agency Head transactions are properly approved
  - ▲ Determine that adequate controls exist and are operating effectively to ensure compliance with policies for personnel expenditures including overtime
  - Determine adequate controls exist over fixed assets
  - Determine adequate controls exist over inter-departmental transfers
- Exception Oriented
- 6 Reportable Issues and 6 Other Observations
- Management Action Plans have been developed to address all risks identified


● Insufficient-Immediate Attention    ▲ Improvement Needed    ■ Sufficient

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## Contents

- Introduction and Background
- Scope, Internal Controls, and Methodology
- Conclusions on Audit Objectives
- Issues and Management Action Plans
- Closing and Report Distribution




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## Introduction

- Auditor III Joyce Aikor-Richardson performed audit work
- Used professional auditing standards
- Examined controls & tested for selective compliance
- All exceptions given to Agency
- Reported control design issues & significant test exceptions
- Work for same Government we audit



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## Background

- The General Registrar provides appropriate forms for those registering to vote, maintains the official voter registration records for Henrico County, and other duties defined in the Code of Virginia and by the State Board of Elections.
- The official voter registration records allow the Registrar to provide an accurate list of voters to each polling place.
- The Henrico County Electoral Board delegates to the General Registrar the duties of arranging and supervising the elections held in Henrico County.

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## Mission Statement

The mission statement of the Office of Voter Registration and Elections is:

*To promote consistent administration of all elections, registration and campaign finance laws, rules and regulations.*

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## Objectives

- To provide fair and honest Federal, Commonwealth and County elections to qualified registered voters of the County of Henrico.
- To offer absentee voting to all qualified voters of the County of Henrico who request this service.
- To ensure the number of absentee voters is correctly projected, all absentee requests are reported, and issue correct ballots to each voter.
- To provide information about the requirements, procedures, and codes governing campaign reporting.
- To educate staff and poll workers on registration and election laws as well as voting procedures.
- To ensure every precinct conducts fair and impartial elections.

*Excerpt from FY2012-13 Approved Annual Fiscal Plan*


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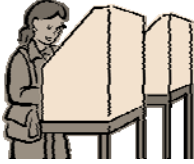
## Other Highlights

- Operates Offices at Eastern and Western Government Centers
- Per the FY12-13 fiscal plan, operates with a total Personnel Complement of 8, excluding 1 position - the General Registrar whose salary is set and funded by the State.
- § 24.2-112. Assistants to general registrars; employees. The electoral board shall determine the number and set the term for assistant registrars; however, their terms shall not extend beyond the term set by law of the incumbent general registrar. The general registrar shall establish the duties of assistant registrars, appoint assistant registrars, and have authority to remove any assistant registrar who fails to discharge the duties of his office.


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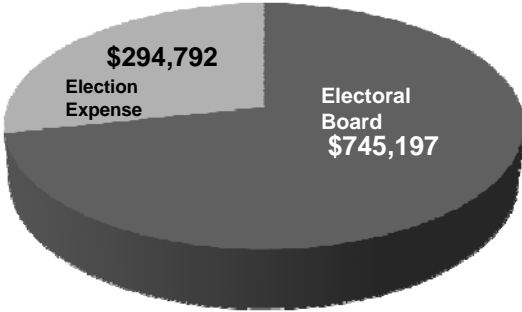
## Other Highlights

- Manage more than 90 polling locations across the County's 5 Magisterial Districts during elections with assistance from temporary staff and volunteers.
 
- As of June 30, 2012, managed more than \$2 million of capital assets (machinery and equipment primarily consisting of ballot stations) per the accounting system.
 

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## Electoral Board vs. Election Expenditures

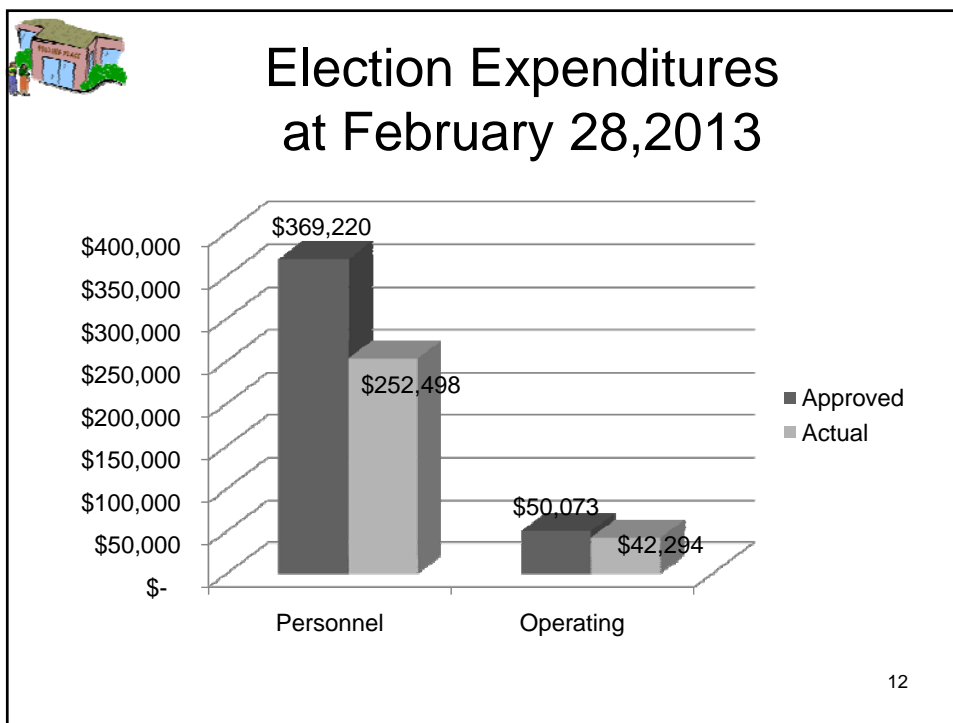
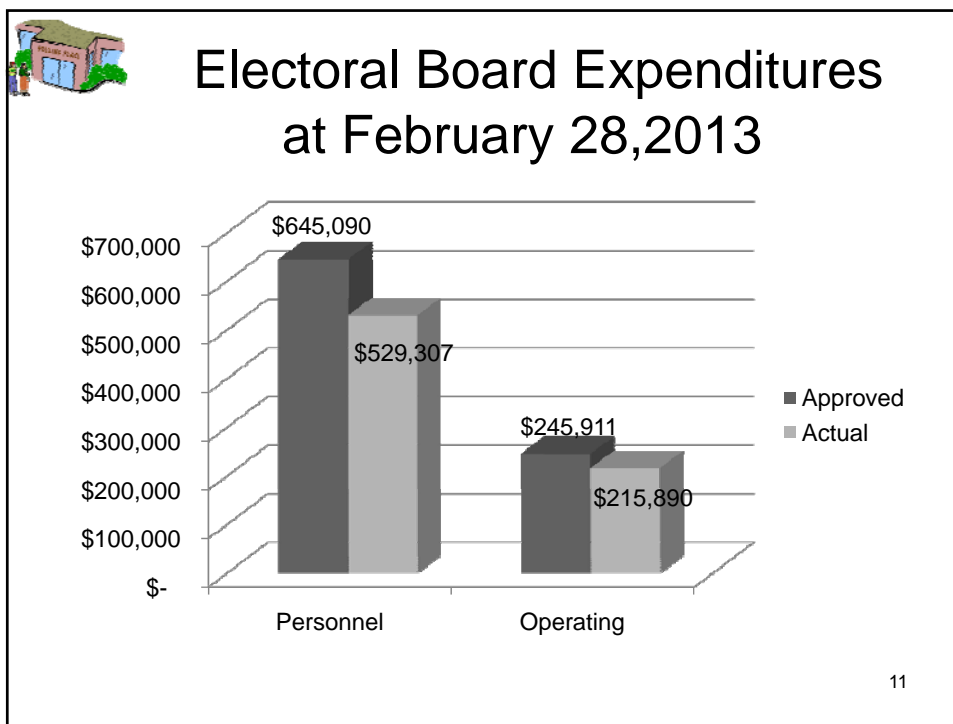


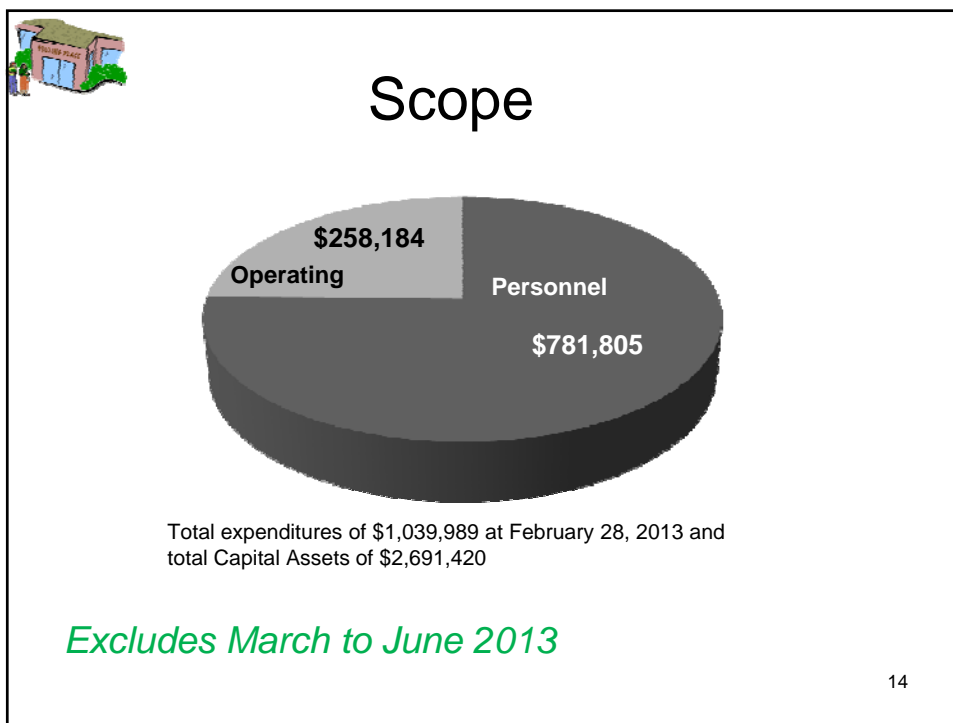
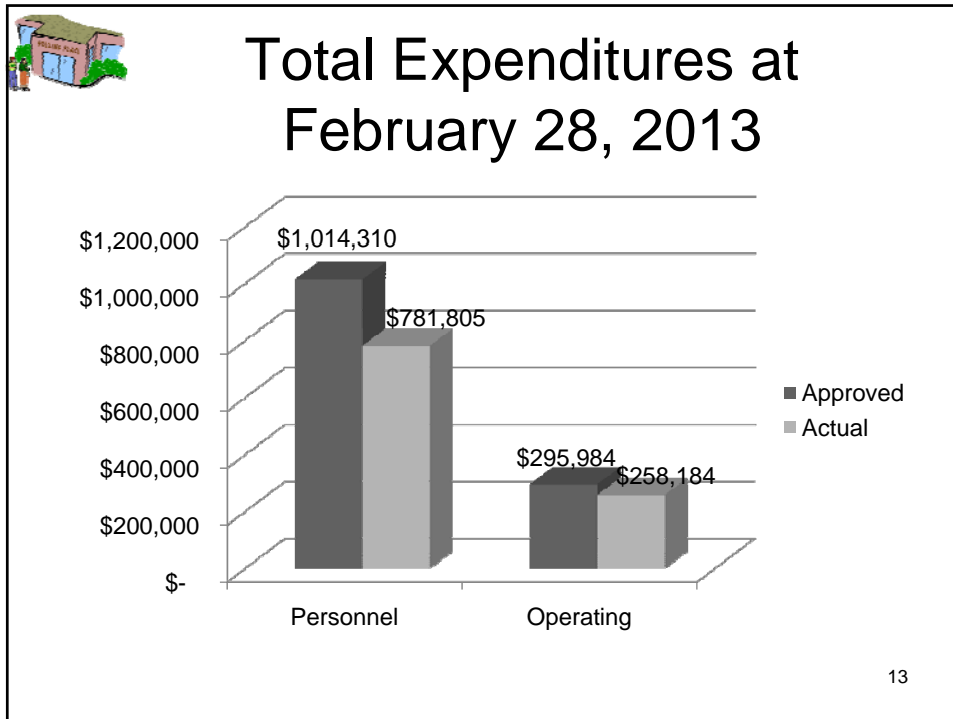
Category	Amount
Electoral Board	\$745,197
Election Expense	\$294,792

**Two Costs Centers:**

- *Electoral Board* - the routine personnel and operating costs of the voter registration operation
- *Election Expense* – the personnel and operating costs directly associated with the elections held during the year

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## Internal Controls *Objectives*

- Reliability and integrity of information
- Compliance with policies, procedures, laws and regulations
- Safeguarding of assets
- Effectiveness and efficiency of operations



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## Internal Controls Cont'd *General Limitations of any Controls*

- Errors and irregularities may go undetected
- Inherent limitations in any control structure
- Limitations include resource constraints, legislative restrictions, etc.
- Projection to future subject to risk of change in effectiveness
- Compliance may deteriorate

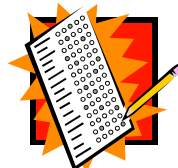


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## Audit Methodology

- Determined expenditure-related processes and control procedures
- Evaluated strengths and weaknesses of control procedures
- Randomly sampled recorded transactions and traced to supporting documents for accuracy and compliance with policy
- Randomly sampled capital assets and verified existence



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## Conclusions on Audit Objectives

- ▲ Determine controls exist and are operating effectively to ensure compliance with policies and procedures for non-personnel expenditures including travel *Issues 2, 7, 8, 9, 10*
- ▲ Determine that controls exist and are operating effectively to ensure Agency Head transactions are properly approved *Issue 4*
- ▲ Determine that adequate controls exist and are operating effectively to ensure compliance with policies for personnel expenditures including overtime *Issues 1, 3, 5, 6, 11, 12*
- Determine adequate controls exist over fixed assets
- Determine adequate controls exist over inter-departmental transfers

● Insufficient-Immediate Attention    ▲ Improvement Needed    ■ Sufficient

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## Issues

### Reportable Issues

1. Ensure Proactive, Timely Monitoring of Budget
2. Ensure Invoices are Paid Timely to Avoid Late Charges
3. Ensure Review of Election Worker Pay Information for Accuracy Prior to Payment
4. Ensure Payments are Approved by a Person other than the Payee
5. Document Procedures for Management of Election Officials and Pay
6. Strengthen Controls in Pay of Election Officials from Other County Agencies

### Other Observations

7. Ensure All Invoices are Date Stamped upon Receipt
8. Ensure the Use of Proper Account Codes
9. Indicate Review for Goods or Services Received Prior to Payment
10. Ensure the Mileage Calculation is Accurate Prior to Reimbursing Employees
11. Consider Enhancing Use of Systems to Increase Efficiency of Some Processes
12. Update the Election Official Pay List

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## Issue 1

### **Ensure Proactive, Timely Monitoring of Budget**



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**Issue 1**

## **Criteria**

The County Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total budgeted amounts and/or appropriations of any fund require an amendment to the budget. To comply with related code requirements, budgets should be proactively reviewed and monitored to enable the proper administration of transfers and other necessary adjustments.

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**Issue 1**

## **Condition**

As of the date of our initial download and analysis of the Agency's personnel expenditures, two of the Agency's salary and wage-related Oracle accounts were over budget by a total of \$96,082. It appeared that the Agency's discussions with the County's Office of Management and Budget (OMB) to address the overages began after the accounts went over budget.

As of July 2012, more than \$135,000 of budget adjustments had been needed for one of these FY13 accounts.


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**Issue 1**

## Cause

Per Agency, Oracle HRMS lets them process payroll even when there are no funds, whereas Oracle Financial has notification and will not let you process invoices if there are no sufficient funds.



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**Issue 1**

## Effect

The accounts were over budget requiring transfer of appropriated funds from other existing sources outside the Agency to maintain the County's balanced budget. If such overages are not anticipated, communicated, and resolved timely with the Office of Management and Budget (OMB), the County could be put in a position of having to make unplanned use of its existing fund balance to cover the overspending.


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Issue 1

## Recommendation

Agency should proactively review financial data on a regular basis to ensure the expenditures are within budget and should communicate unplanned financial situations and forecasted overages to OMB in advance to request a revised budget timely.



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Issue 1

## Management Action Plans

1. Will proactively review fund balance to prevent overages and more timely transfer of funds.
2. Will communicate with OMB more frequently during peak election cycles.


**Owner of Action plans:** Registrar  
**Completion Date:** October 8, 2013

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## *Issue 2*

### Ensure Invoices are Paid Timely to Avoid Late Charges



dreamstime.com


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Issue 2


## *Criteria*

Virginia Prompt Payment Act requires payment  
of invoices within 45 days.



Virginia Public Procurement Act, § 2.2-4347 through § 2.2-4356.

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Issue 2

## Condition

Sampled invoices were paid more than 45 days after the invoice date as follows:

- 2 of 9 (22%) invoices related to purchase orders which resulted in late payment charges
- 7 of 42 (17%) invoices related to direct pay invoices
  - 4 of the 7 were paid and recorded in the wrong fiscal year.

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Issue 2

## Cause


Per Agency, they forgot to change payment terms in Oracle from “net 30 days” to “pay immediate” when entering the invoices in the system. As such, the Division of Accounting processed the payments after 30 days resulting in the late payment.

## Effect

Non-compliance with Virginia Prompt Payment Act as well as payment of over \$500 in late payment charges.



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Issue 2

## *Recommendation*

Ensure prompt payment of vendor invoices defined as the due date or if no due date then not more than 45 days from the invoice date

Virginia Public Procurement Act, § 2.2-4347 through § 2.2-4356.

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Issue 2

## Management Action Plans

Action Plans	Owners	Completion Dates
1. Invoices will be date stamped at delivery.	Voter Registration Staff	October 8, 2013
2. Purchase orders have been modified to allow for immediate payment as the default rather than "Net 30" so it is not overlooked during processing.	Deputy Registrar	July 1, 2013

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## *Issue 3*

### **Ensure Review of Election Worker Pay Information for Accuracy Prior to Payment**



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Issue 3

## *Criteria*

Best management practices suggest invoices or source documents should be reviewed to ensure that the rate selected or amount is correct prior to payment



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Issue 3

## ***Condition***

Processes were in place to review and validate election worker assignments and rates prior to payment for those officials who work only during elections. However, those controls did not operate effectively.

In a sample of pay to workers assisting the Agency during elections, an Election Worker was overpaid by \$50. They were paid at the rate of a Chief election official although they actually served as a regular worker.

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Issue 3


## ***Cause***

Manual review process of documents allowed human error to not properly calculate amount due for workers with several itemized transactions.

## ***Effect***

\$50 overpayment to an election worker


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**Issue 3**

## *Recommendation*

- Ensure review of election worker pay information for accuracy prior to payment.
- Where possible, document validation of calculated pay to establish accountability.
- Determine if the overpayment can be recovered.



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**Issue 3**

## Management Action Plans


Action Plans	Owners	Completion Dates
1. Enhance Election Official access database to link payment amount to job duties assigned for each election official to avoid manual calculation.	IT Specialist	October 8, 2013
2. Enter Election Official pay in batches by precinct order and provide document to final reviewer to easily review payments prior to approving.	Assistant Registrar	November 6, 2013
3. Ensure proper data entry by archiving documents signed by Election Officials in precinct /alpha order rather than "job duty" order to allow for easier review by approvers.	Assistant Registrar	November 6, 2013

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## *Issue 4*

### Ensure Payments are Approved by a Person Other Than the Payee



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Issue 4

## *Criteria*

Best management practices related to segregation of duties suggest "Direct Pay transactions directly to a specific person should be approved by a different person than the payee."

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Issue 4

## ***Condition***

All direct payment reimbursements to the Registrar are approved by him in Oracle although they are entered in the system by a second person on his staff. There is no process for obtaining a manual approval from a member of the electoral board or other supervisory personnel.

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Issue 4


## ***Cause***

Per the Registrar, he does not report to any of the Deputy County Managers so there is no one else to approve his reimbursement expenditures

## ***Effect***

Lack of segregation of duties that can result in control override


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Issue 4

## **Recommendation**

Ensure Direct Pay transactions payable to a specific person are approved by a person other than the payee



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Issue 4


## **Management Action Plans**

1. Allow County Manager to approve reimbursements for the Registrar rather than Registrar approving his own reimbursements.
2. Travel reimbursements for the Registrar are signed by the County Manager for approval.

**Owner of Action Plans:** Registrar


**Completion Date:** July 1, 2013

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## *Issue 5*

### Document Procedures for Management of Election Officials & Pay



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**Issue 5**

## *Criteria*

*"An Elected Official's Guide to Internal Controls and Fraud Prevention,"* produced by the Government Finance Officers Association, states that "specific control policies and procedures must be in place to ensure the integrity of the data in the accounting system" for an effective internal control structure.

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Issue 5

## ***Condition***

The Office does not have documented procedures for the management of election officials and their pay including the processes required for validating the accuracy of pay prior to data entry and approval in Oracle.

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Issue 5


## ***Cause***

Procedures have been utilized for many years in Voter Registration Office and generally understood among staff. Office did not have written procedures in place aside from training notes when Oracle supplier system and HRMS training was provided at implementation.

## ***Effect***

This results in internal control weakness and does not provide a resource for training and transfer of knowledge and good practices should the Office experience turnover in the relevant positions.

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Issue 5

## ***Recommendation***

The Office should document procedures for the management of election officials and their pay including the processes required for validating the accuracy of pay prior to data entry and approval in Oracle

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Issue 5


## **Management Action Plans**

1. Election Official Payment documentation will be created to outline payment procedures, payment plans, deadlines, and review processes.
2. Procedures will be provided to all employees to ensure transfer of knowledge.

**Owner of Action Plans:** Deputy Registrar


**Completion Date:** November 1, 2013

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## *Issue 6*

### **Strengthen Controls in Pay of Election Officials from Other County Agencies**



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**Issue 6**

## *Criteria*

*"An Elected Official's Guide to Internal Controls and Fraud Prevention,"* produced by the Government Finance Officers Association, suggests management should actively monitor activities and investigate discrepancies to ensure the underlying data is reliable. This includes independent validation of data for accuracy.

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Issue 6

## ***Condition***

Unlike the processes for election officials who only work for the County during elections, there were no independent validation controls in place to ensure that the pay for election officials from other County Agencies was calculated correctly based on the supporting documentation or was keyed accurately on the files submitted to Human Resources for inclusion with their regular pay.

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Issue 6


## ***Cause***

Voter Registration Office did not have written procedures in place aside from training notes when HRMS training was provided for batch element spreadsheets. Validation controls were not previously considered.

## ***Effect***

Results in internal control weakness. While no issues were noted in a tested sample, it is possible that pay errors could result and not be easily detected as workers do not always know the gross amount due to them and their actual pay is combined with their regular pay, net of taxes.

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**Issue 6**

## *Recommendation*

Management should implement monitoring controls such as independent validation to ensure that the pay for County employees serving as election officials was calculated correctly based on the supporting documentation or keyed accurately on the files submitted to Human Resources.

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**Issue 6**

## Management Action Plans

Action Plans	Owners	Completion Dates
1. Payment for County Employees that serve as Election officials will be documented with procedures, payment plan, deadlines and review processes.	Deputy Registrar	November 6, 2013
2. Payment procedures will be provided to all employees to ensure transfer of knowledge.	Registrar	November 1, 2013
3. Election Official database will be utilized for data transfer to Human Resources excel spreadsheet batch system to mitigate human error and easier review. Database will automatically assign payment by position.	Deputy Registrar	November 6, 2013
4. Enhance current systems to allow for a sign off sheet by employee performing transfer when handing off to reviewer.	Deputy Registrar	November 6, 2013
5. Incorporating a sign off sheet for reviewer prior to sending off to Human Resources.	Deputy Registrar	November 6, 2013

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## Other Observations

The following slides include additional observations noted during our audit which were considered less critical in reaching our conclusions on our audit objectives.

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Issue 7

### Ensure All Invoices are Date Stamped upon Receipt


8 of 9 (89%) purchase order expenditure invoices sampled were not date stamped upon receipt to facilitate research should questions arise about timeliness of payment.

#### Recommendation

Ensure all invoices are date stamped upon receipt.

Management Action Plans	Owners	Completion Dates
1. All invoices will be date stamped when mail is processed.	Voter Registration Staff	October 8, 2013
2. Invoices will be date stamped when entered into oracle.	Administrative Assistant/Deputy Registrar	October 8, 2013
3. Approver of invoices will date stamp when approving.	Registrar/Deputy Registrar	October 8, 2013

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**Issue 8**

## Ensure the Use of Proper Account Codes


Sampled expenditures were posted to incorrect general ledger account codes as follows:

- 2 of 2 (100%) reimbursements for printing were posted to the Office Supplies account code instead of the Printing account code
- 5 of 42 (12%) direct pay expenditure invoices sampled were posted to incorrect account codes

**Recommendation**  
Ensure the use of proper account codes

Management Action Plans	Owners	Completion Dates
1. Ensure that proper account codes are used when approving invoices in Oracle.	Registrar	July 1, 2013
2. Ensure that proper account funds are available when invoices are posted in Oracle.	Registrar	July 1, 2013

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**Issue 9**

## Indicate Review for Goods and Services Received Prior to Payment


Sampled invoices were not initialed but were dated to indicate review for goods and services received prior to payment as follows:

- 9 of 9 (100%) purchase order expenditure invoices
- 2 of 2 (100%) reimbursement invoices for agency head transactions
- 26 of 42 (62%) direct pay expenditure invoices

**Recommendation**  
Ensure invoices are initialed and dated to indicate review and accountability for goods and services received prior to payment.

Management Action Plans	Owners	Completion Dates
1. Oracle keeper will initial invoices when keyed into the system for payment.	Administrative Assistant/ Deputy Registrar	October 8, 2013
2. Approver will review for initials on invoice overview prior to payment.	Registrar/Deputy Registrar	October 8, 2013

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Issue 10


## Ensure the Mileage Calculation is Accurate Prior to Reimbursing Employees

2 of 7 (29%) sampled mileage reimbursement calculations were incorrect. The calculated reimbursable miles on the supporting documentation did not agree to the start and end odometer readings noted.

**Recommendation**  
Ensure the mileage calculation is accurate prior to reimbursing employees.

Management Action Plans	Owners	Completion Dates
1. Staff will ensure mileage calculation is correct prior to submitting to the Registrar for payment.	Registrar	October 8, 2013
2. Registrar will provide mileage guidelines to staff from Travel Policy, 2013.	Registrar	October 8, 2013

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Issue 11


## Consider Enhancing Use of Systems to Increase Efficiency of Some Processes

While the Agency has a computer database to manage election workers, the system is not used to itemize and automate the computation of election worker pay.

Pay varies by position and tasks completed and is manually computed based on numerous signed supporting paper documents. Given that we noted incomplete initial payments, subsequent pay adjustments, and the inaccurate payment noted in Issue 3, it did not appear that management was always able to efficiently and effectively gather and review all the supporting documents to validate the manual pay calculations prior to payment.

Additionally, it was noted that the Agency's process for paying certain workers involved manual calculations using system reports that didn't have all needed fields of data, and manual data entry into files to be sent to Human Resources.

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**Issue 11**

## Consider Enhancing Use of Systems to Increase Efficiency of Some Processes

**Recommendation**

The Agency should evaluate current processes to determine if the department's database and system reports can be modified to allow for increased efficiency, automation of pay calculations, and more effective verification of information prior to payment. Consideration should also be given to using the County's FileNet system for scanning, organizing, systematic securing, and retrieval of some of the manual documentation for efficient verification of data.

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**Issue 11**

## Management Action Plans

Management Action Plans	Owners	Completion Dates
1. Access database to track and organize Election Officials has been enhanced to allow for invoicing for Election Day job duties.	IT Specialist	October 8, 2013
2. The access database will automatically tie payment to the Election Official's job at the precinct.	IT Specialist	October 8, 2013
3. The access database will produce an invoice for each election official itemizing the payment amount due for jobs completed.	IT Specialist	October 8, 2013
4. Access database will produce reports available on server so that approver has access to reports/data entry prior to approval.	Registrar/ Deputy Registrar	November 6, 2013
5. Invoices will be archived by precinct/alpha order allowing for easier access to validate payments in Oracle.	Assistant Registrar	November 6, 2013

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**Issue 12**


## Update the Election Official Pay List

The department pays a variety of workers for services performed to assist with each election but does not maintain a single comprehensive list of those approved positions with the various pay rates, dates of last approved pay adjustment, etc.

The three main positions with various potential elements of pay are listed on a rate sheet but the title of one element of the pay was modified for the 2012 Election and that modification had not been updated on the rate sheet.

Additionally, the positions and rates for various additional workers were not documented on the sheet (e.g. other flat-rate workers such as electoral board assistants or hourly paid worker positions such as the telephone workers).

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**Issue 12**

## Update the Election Official Pay List

**Recommendation**

Update the Election Official Pay list to include the change in the Chief/Assistant Chief pay element as well as all other approved positions and rates for regular hourly and flat rate workers (e.g. telephone workers, certifiers, electoral board assistants, etc.). Consider also documenting the dates of the last approved pay rate changes and ensure documentation of such approvals is maintained with the master pay files.

Management Action Plans	Owners	Completion Dates
1. Election Official pay list will be updated to include change of pay from 2008.	Registrar	November 1, 2013
2. Documentation of all payment values will be updated in training materials to staff, and all election workers.	Registrar	November 1, 2013

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## Closing

- Appreciate Agency's cooperation
- Follow up on open Action Plans will be performed as completion dates are reached or after a sufficient period of time has passed to ensure effective implementation.



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## Report Distribution

Audit Committee (Mr. Glover, Mrs. O'Bannon, County Manager)	Board of Supervisors, Non-Committee Members
Electoral Board	Registrar
Internal Audit Staff	

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## Audit Contact Information

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