

Memorandum



CITY OF DALLAS
(Report No. M14-001)

DATE: August 13, 2014

TO: Rosa A. Rios, City Secretary – City Secretary’s Office

SUBJECT: Independent Auditor’s Report on Applying Agreed-Upon Procedures
for the May 11, 2013 Election Costs Invoiced by the Dallas County Elections Department

Attached for your review is the *Independent Auditor’s Report on Applying Agreed-Upon Procedures for the May 11, 2013 Election Costs Invoiced by the Dallas County Elections Department* (DCED).

Exceptions noted as a result of applying these procedures are described in Attachment I and were communicated to the City Secretary’s Office (SEC). The detailed information obtained from DCED for the exceptions noted is available for review at your convenience in the Office of the City Auditor (Office).

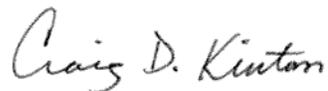
The Office determined that the City of Dallas’ (City) allocation of the May 11, 2013 Election Costs increased by 85 percent, or \$382,362.57, from \$449,708.04 to \$832,070.61. This increase was due to the partial or full withdrawal of 12 entities that initially planned to participate, decreasing the number of voting locations by 319, from 976 to 657. Of these 319 voting locations, the Dallas County School Board accounted for 273, or 86 percent. As a result of these withdrawals, the City’s allocated election costs increased from 27.41 percent to 44.84 percent. The DCED allocates election costs based upon the number of voting locations used by each entity participating in an election. In addition, the Office determined a total overcharge of \$31,169.66. The variance was primarily due to overcharges of \$12,030.37, \$4,716.58, \$7,572.85 for “Postage”, “Supplies” and “Voting Booth” rentals, respectively.

The Office issued a Management Letter that included certain issues related to the *Joint Election Contract and Election Services Agreement* (Contract). Specifically, certain Contract terms related to Early Voting expenses were ambiguous, the Contract did not include requirements that DCED support invoiced amounts for DCED owned voting equipment leased to the participating entities, and a right to audit clause was not included. Although no formal response to these issues was requested of the SEC, the Office may follow-up on these issues during subsequent engagements to determine whether corrective actions were taken.

We have performed these agreed-upon procedures solely to assist the SEC in determining whether the invoice was properly supported. The Dallas City Charter Chapter IX, Section 3, and the Office’s Fiscal Year 2014 Annual Audit Plan approved by the City Council authorized these agreed-upon procedures projects.

If you have any questions, please contact me at 214-670-3222 or, Carol A. Smith, First Assistant City Auditor, at 214-670-4517.

Sincerely,



Craig D. Kinton
City Auditor

Attachments

- C: Honorable Members of the Budget, Finance & Audit Committee
 - A.C. Gonzalez, City Manager
 - Warren M.S. Ernst, City Attorney
 - Jeanne Chipperfield, Chief Financial Officer
 - Wessen Stefanos, First Assistant County Auditor – Dallas County
 - Toni Pippins-Poole, County Elections Administrator – Dallas County
 - Teresa Guerra Snelson, Assistant District Attorney – Dallas County

City of Dallas Office of the City Auditor
Independent Auditor's Report on Applying Agreed-Upon Procedures

May 11, 2013 Election Costs Invoiced by the Dallas County Elections Department

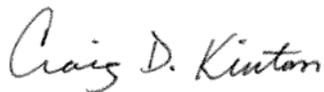
We have performed the procedures, described in Attachment I, which were agreed to by the City Secretary's Office (SEC), solely to assist the SEC in determining whether the May 11, 2013 Election Costs invoice was properly supported. The SEC is responsible for the establishment of policies and procedures designed to ensure the invoiced election costs comply with applicable contract requirements and are properly supported.

Exceptions noted as a result of applying these procedures are described in Attachment I and were communicated to the SEC.

These agreed-upon procedures were conducted in accordance with United States generally accepted government auditing standards, which incorporate attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment I either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the *May 11, 2013 Election Costs Invoiced by the Dallas County Elections Department*. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the SEC and is not intended to be, and should not be, used by anyone other than the specified party; however, the report is a matter of public record and its distribution is not limited.



Craig D. Kinton, CPA
City Auditor

August 13, 2014

Agreed-Upon Procedures and Results of Procedures

May 11, 2013 Election Costs Invoiced by the Dallas County Elections Department

Agreed-Upon Procedures	Results of Procedures
<p>1. General Procedures</p> <ul style="list-style-type: none"> a. Obtain from the City Secretary's Office (SEC) the <i>Joint Election Contract and Election Services Agreement</i> for the May 11, 2013 election (Contract) to gain an understanding of the Contract terms b. Obtain the Dallas County Elections Department's (DCED) election costs calculation spreadsheets (cost calculations) to understand the variables and mathematical formulas DCED used to calculate joint election costs 	<p>No exceptions were noted as a result of applying the procedures.</p>
<p>2. Participating Entity(ies) Procedures</p> <ul style="list-style-type: none"> a. Verify all entities that initially planned to participate in the joint election as cited in the Contract are included in the cost calculations b. Confirm for any excluded entities, the applicable entities that partially/fully withdrew from the joint election by tracing to information publicly available on DCED's website c. Identify the entity(ies) with the largest number of partially/fully withdrawn locations by obtaining and comparing the "2013 Joint Election Cost Sharing for Voting Locations BEFORE Withdrawals" report and the "2013 Joint Election Cost Sharing for Voting Locations AFTER Withdrawals" report 	<p>No exceptions were noted as a result of applying the procedures.</p>

Agreed-Upon Procedures	Results of Procedures
<p>3. Early Voting Cost Procedures</p> <p>a. Verify the formula (Total Early Voting Costs divided by Total Number of Participating Entities) in DCED's cost calculations for Early Voting comply with the Contract terms (i.e., all costs are shared equally among all participating entities)</p> <p>b. Using the DCED's Cost Calculations spreadsheets, calculate the cost increases by line item between the original Contract estimate and actual Early Voting costs</p> <p>c. Judgmentally select a sample of payroll and non-payroll line items and trace sample items to supporting documentation</p>	<p>a. Exception Noted – The Early Voting cost of \$582,290.35 invoiced to all 28 participating entities was based on the Election Day allocation rate of 44.84 percent instead of 3.57 percent which is the rate if the cost was equally shared among the 28 participating entities. The City of Dallas' (City) allocation was \$261,087.13 instead of \$20,796.08, a net overage of \$240,291.05.</p> <p>(Note: In practice, the City pays Early Voting costs based on the Election Day allocation rate since the allocation rate is based on the number of voting locations that is used by each participating entity. Percentages noted above are rounded resulting in immaterial differences in the City's allocation amounts.)</p> <p>b. No exceptions were noted as a result of applying the procedure.</p> <p>c. Nine exceptions were noted as a result of applying the procedure:</p> <p>Exception # 1 – Documentation was not provided to support how rental rates were determined for touchscreen voting machines and computers. The rental rates; however, were approved by the City when the Contract was signed.</p> <p>(Note: Rental costs for touchscreen voting machines and computers allocated to all 28 participating entities totaled \$118,350. The City's allocation was \$53,065.73.)</p> <p>Exception # 2 – The invoice for total "Supplies" of \$12,355.66 was allocated to all 28 participating entities. The City's allocation was \$5,540.03.</p> <p>The DCED provided supporting documentation for \$1,836.50 of the \$12,355.66. The City's allocation of the supported amount is \$823.45. The DCED indicated that an adjustment of \$4,716.58 for the overcharge was made to the elections account.</p>

Agreed-Upon Procedures	Results of Procedures
	<p>Exception # 3 – The invoice for total “Mail Ballot Kits” of \$16,272 was allocated to all 28 participating entities. The City’s allocation was \$7,296.03.</p> <p>The DCED provided supporting documentation for \$16,272. During the agreed-upon procedures, DCED noted that the invoice did not include an additional \$100 in “Mail Ballot Kits” expenses. Although supporting documentation was not provided, DCED indicated that the applicable cost adjustment was made. The City’s allocation for this additional amount would result in an overcharge of \$44.84.</p> <p>Exception # 4 – The invoice for total “Postage for Mailed Ballots” of \$10,739.52 was allocated to all 28 participating entities. The City’s allocation was \$4,815.38.</p> <p>The DCED provided supporting documentation for \$10,576.80. The City’s allocation of the supported amount is \$4,742.42. The DCED indicated that an adjustment for the overcharge of \$72.96 was made to the elections account.</p> <p>Exception # 5 – The invoice for total “Postage for Returned Mailed Ballots” of \$7,617.12 was allocated to all 28 participating entities. The City’s allocation was \$3,415.36.</p> <p>During the agreed-upon procedures, DCED noted that the invoiced amount of \$7,617.12 did not include an additional \$1,332.48 in “Postage for Returned Mailed Ballots”. The DCED provided supporting documentation for the additional amount.</p> <p>The DCED indicated that the City’s allocation of the amount undercharged of \$597.46 was made to the elections account.</p> <p>Exception # 6 – Thirty-four touchscreen voting machines used at 18 voting locations during Early Voting exceeded the Contract limit. Of the \$8,500 invoiced, the City’s allocation resulted in an overcharge of \$3,811.23.</p>

Agreed-Upon Procedures	Results of Procedures
	<p>Exception # 7 – Five touchscreen voting machines were excluded from the total cost. Of the \$1,250 that was not invoiced, the City’s allocation would result in an undercharge of \$560.47.</p> <p>Exception # 8 – The following timesheet items were noted:</p> <ul style="list-style-type: none"> • An Early Voting clerk’s timesheet did not include their supervisor’s approval signature. • A mail worker’s timesheet showed a 38 hour work week instead of 40 hours. <p>Exception # 9 –</p> <ul style="list-style-type: none"> • The rate (\$35) for 200 DCED owned voting booths invoiced did not comply with Texas Election Code (T.E.C.) Subchapter B. <i>Acquisition of Equipment Used in Voting System</i> (d) which states: <i>“The maximum amount that a county in which a political subdivision is wholly or partly situated may charge the political subdivision for leasing county-owned equipment is 10 percent of the purchase price of the equipment for each day the equipment is leased.”</i> • The DCED provided documentation to support a rate of \$26.49 for DCED owned voting booths. The difference between the invoiced rate of \$35 and the supported rate of \$26.49 resulted in a rate difference of \$8.51 or \$1,702. The City’s allocation of this amount would result in an overcharge of \$763.14. The voting booth rental rate, however, was approved by the City when the Contract was signed. • The rate (\$35) for 200 voting booths invoiced also did not agree to the rate (\$30) approved by the Commissioners Court of Dallas County in 2008. (Of the \$1,000 invoiced in excess of the approved rate, the City’s allocation should have been \$448.38). The voting booth rental rate, however, was

Agreed-Upon Procedures	Results of Procedures
<p>d. Verify mathematical accuracy</p>	<p>approved by the City when the Contract was signed.</p> <p>These exceptions were communicated to the SEC.</p> <p>d. No exceptions were noted as a result of applying the procedure.</p>
<p>4. Election Day Cost Component Procedures</p> <p>Determine that DCED's calculations for the Election Day costs include only the cost components authorized by the Contract as follows:</p> <p>a. Average cost per voting location unit times total number of voting location units for each participating entity (formula)</p> <p>b. Administrative cost</p> <p>c. Exceptional cost due to specific requests made by City</p>	<p>No exceptions were noted as a result of applying the procedures.</p>
<p>5. Election Day Average Cost Formula Procedures</p> <p>a. Agree the formula (Election Day Cost Total for All Entities divided by Total Number of Voting Location Units for All Entities) used in the cost calculation to the Contract</p> <p>1. Verify the mathematical accuracy of the "<i>Election Day Cost Total</i>" as shown on the DCED Cost calculations spreadsheet</p> <p>2. Using the DCED's cost calculations spreadsheet, calculate the cost increases by line item between the original Contract estimate and the actual Election Day costs</p>	<p>a. No exceptions were noted as a result of applying the procedures.</p>

Agreed-Upon Procedures	Results of Procedures
<p>b. Judgmentally select a sample of payroll and non-payroll line items and trace sample items to supporting documentation</p>	<p>b. Five exceptions were noted as a result of applying the procedure:</p> <p>Exception # 1 – Documentation was not provided to support how rental rates were determined for equipment used. The rental rates, however, were approved by the City when the Contract was signed.</p> <p>(Note: Equipment rental costs allocated to all 28 participating entities totaled \$434,754.60. The City’s allocation was \$194,935.11.)</p> <p>Exception # 2 – The invoice for total “Postage” of \$80,000 was allocated to all 28 participating entities. The City’s allocation was \$35,870.37.</p> <p>The DCED provided supporting documentation for \$53,169.22 of the \$80,000. The City’s allocation of the supported amount is \$23,840. The DCED indicated that an adjustment of \$12,030.37 for the overcharge was made to the elections account.</p> <p>Exception # 3 – The timesheets tested for three of 16 temporary employees did not include the employee’s signature; however, the timesheets were signed by a DCED supervisor.</p> <p>Exception # 4 –</p> <ul style="list-style-type: none"> • For ten of thirteen sheriff deputies’ overtime authorization forms tested, a supervisor’s approval signature was not present. Instead, the supervisor’s computer printed name was used as the authorizing signature. • The DCED did not have on file a timesheet to support two overtime hours tested for one of the thirteen timesheets. <p>Exception # 5 –</p> <ul style="list-style-type: none"> • The rate (\$35) for 1,785 DCED owned voting booths invoiced did not comply with Texas Election Code (T.E.C.)

Agreed-Upon Procedures	Results of Procedures
<p data-bbox="250 1583 789 1749">c. Obtain from DCED the “2013 Joint Election Cost Sharing for Voting Locations AFTER Withdrawals” (voting locations) report and perform the following:</p> <ol data-bbox="297 1787 789 1913" style="list-style-type: none"> <li data-bbox="297 1787 789 1822">1. Verify mathematical accuracy <li data-bbox="297 1854 789 1913">2. Agree the total locations per participating entity as cited in the 	<p data-bbox="922 170 1425 499">Subchapter B. <i>Acquisition of Equipment Used in Voting System</i> (d) which states: “The maximum amount that a county in which a political subdivision is wholly or partly situated may charge the political subdivision for leasing county-owned equipment is 10 percent of the purchase price of the equipment for each day the equipment is leased.”</p> <ul data-bbox="873 541 1425 940" style="list-style-type: none"> <li data-bbox="873 541 1425 940">• The DCED provided documentation to support a rate of \$26.49 for DCED owned voting booths. The difference between the invoiced rate of \$35 and the supported rate of \$26.49 resulted in a rate difference of \$8.51 or \$15,187.38. The City’s allocation of this amount would result in an overcharge of \$6,809.71. The \$35 voting booth rental rate, however, was approved by the City when the Contract was signed. <p data-bbox="922 978 1425 1108">(Note: Percentages noted above are rounded resulting in immaterial differences in the City’s allocation amounts.)</p> <ul data-bbox="873 1146 1425 1444" style="list-style-type: none"> <li data-bbox="873 1146 1425 1444">• The rate (\$35) for 1,785 voting booths invoiced also did not agree to the rate (\$30) approved by the Commissioners Court of Dallas County in 2008. (Of the \$8,925 invoiced in excess of the approved rate, the City’s allocation should have been \$4,001.79). The \$35 rate, however, was approved by the City when the Contract was signed. <p data-bbox="922 1482 1425 1549">These exceptions were communicated to the SEC.</p> <p data-bbox="821 1587 1425 1654">c. No exceptions were noted as a result of applying the procedures.</p>

Agreed-Upon Procedures	Results of Procedures
<p>voting locations report to the total locations identified in the cost calculations</p> <ol style="list-style-type: none"> 3. Confirm with SEC the total number of voting locations and shared locations for the City as specified in the DCED's cost calculations <p>d. Select, based on the results of procedure 2(c), the largest number of partially/fully withdrawn locations [Dallas County School Board (DCSB)] and obtain the following documents:</p> <ol style="list-style-type: none"> 1. The May 11, 2013 election "<i>Entity Listing</i>" (entity listing) from DCED's website 2. "<i>Initial Cost Sharing for Joint 2013</i>" (cost sharing) report from DCED personnel 3. "<i>2013 Voting Precincts District Listing</i>" (precinct listing) for March 2013 from DCED's website 	<p>d. No exceptions were noted as a result of applying the procedures.</p>

Agreed-Upon Procedures	Results of Procedures																																										
<p>e. Perform the following:</p> <ol style="list-style-type: none"> 1. Identify, from the May 11, 2013 election entity listing on DCED's website, the districts that DCSB participated in for the election 2. Identify the applicable precincts associated with the districts (District 3) as identified in procedure 5.e.1 for the election from the precinct listing 3. Identify the applicable precincts associated with the DCSB districts (District 3) for the election from the cost sharing report 4. Compare the precincts identified in the cost sharing report with the precincts identified in the precinct listing to verify the total number of voting locations as included in the cost calculations are supported 5. Confirm with DCED that judgmentally selected voting locations for DCSB are shared in the same way as they were cited in the cost calculations. 	<p>e. No exceptions were noted as a result of applying the procedures.</p>																																										
<p>6. Administrative Cost Procedures</p> <p>a. Verify the election administration cost in DCED's cost calculations does not exceed ten percent of the total election cost as authorized in the Contract</p>	<p>a. Exception Noted –</p> <p>Total administrative cost invoiced was \$75,642.78 instead of \$72,809.18 resulting in an overcharge of \$2,833.61 due to the exceptions noted in the table below.</p> <table border="1" data-bbox="833 1455 1409 1911"> <thead> <tr> <th>Agreed-Upon Procedures Step</th> <th>Exception No.</th> <th>Over/ (Under) Charge</th> </tr> </thead> <tbody> <tr> <td>3.c</td> <td>2</td> <td>\$4,716.58</td> </tr> <tr> <td>3.c</td> <td>3</td> <td>44.84</td> </tr> <tr> <td>3.c</td> <td>4</td> <td>72.96</td> </tr> <tr> <td>3.c</td> <td>5</td> <td>(597.46)</td> </tr> <tr> <td>3.c</td> <td>6</td> <td>3,811.23</td> </tr> <tr> <td>3.c</td> <td>7</td> <td>(560.47)</td> </tr> <tr> <td>3.c</td> <td>9</td> <td>763.14</td> </tr> <tr> <td>5.b</td> <td>2</td> <td>12,030.37</td> </tr> <tr> <td>5.b</td> <td>5</td> <td>6,809.71</td> </tr> <tr> <td>7.a</td> <td>1</td> <td>1,245.15</td> </tr> <tr> <td>Sub-Total</td> <td></td> <td>\$28,336.05</td> </tr> <tr> <td>Administrative Cost</td> <td></td> <td>2,833.61</td> </tr> <tr> <td>Total</td> <td></td> <td>\$31,169.66</td> </tr> </tbody> </table>	Agreed-Upon Procedures Step	Exception No.	Over/ (Under) Charge	3.c	2	\$4,716.58	3.c	3	44.84	3.c	4	72.96	3.c	5	(597.46)	3.c	6	3,811.23	3.c	7	(560.47)	3.c	9	763.14	5.b	2	12,030.37	5.b	5	6,809.71	7.a	1	1,245.15	Sub-Total		\$28,336.05	Administrative Cost		2,833.61	Total		\$31,169.66
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<p>b. Verify mathematical accuracy</p>	<p>This exception was communicated to the SEC.</p> <p>b. No exceptions were noted as a result of applying the procedure.</p>
<p>7. Exceptional Cost Procedures</p> <p>a. Verify the exceptional cost item that was allocated to the City is supported by information provided by DCED</p> <p>b. Confirm with DCED personnel whether there were any participating entities requesting a combination of polling places which exceeded the average cost during the May 11, 2013 Joint Election</p> <p>c. Verify mathematical accuracy</p>	<p>a. Exception Noted – Total exceptional cost invoiced was \$4,408.30 instead of the City’s allocation of \$3,163.15 resulting in an overcharge of \$1,245.15.</p> <p>This exception was communicated to the SEC.</p> <p>b. No exceptions were noted as a result of applying the procedure.</p> <p>c. No exceptions were noted as a result of applying the procedure.</p>