

**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**

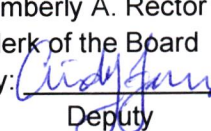
  
Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 7/18/2023

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**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**

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



**Office of Ben J. Benoit**  
**Riverside County Auditor-Controller**  
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**ACO** | AUDITOR  
CONTROLLER  
COUNTY OF RIVERSIDE

**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.



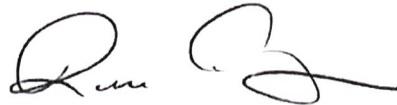
**Internal Audit Report 2023-318: Riverside County Registrar of Voters, Follow-up Audit**

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

## 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.

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

**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



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

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.

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

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**

# ATTACHMENT A

**Internal Audit Report 2021-018**

**Riverside County Registrar of Voters**

**Report Date: Month, July 20, 2021**



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**ACC** | **AUDITOR  
CONTROLLER**  
**COUNTY OF RIVERSIDE**

**Paul Angulo, CPA, MA  
Riverside County Auditor-Controller**

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

July 20, 2021

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

**Subject: Internal Audit Report 2021-018: Riverside County Registrar of Voters Audit**

Dear Ms. Spencer:

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Registrar of Voters to provide management and the Board of Supervisors with an independent assessment of internal controls over equipment leases, poll inspector training, procurement cards, and the purchase order process.

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 sufficient, reliable, relevant and useful information to provide reasonable assurance that our objective as described above is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Management is responsible for establishing and maintaining adequate internal controls. Our responsibility is to evaluate the internal controls.

Our conclusion and details of our audit are documented in the body of this audit report.

**Internal Audit Report 2021-018: Riverside County Registrar of Voters**

As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, we asked management to provide a response to our audit findings and recommendations. However, a response was not submitted and therefore not included in this report. We will follow-up to verify that management implemented the corrective actions.

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA  
Chief Internal Auditor

cc: Board of Supervisors  
Jeff A. Van Wagenen, Jr., County Executive Officer  
Grand Jury



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**Internal Audit Report 2021-018: Riverside County Registrar of Voters**

**Executive Summary**

**Overview**

The Registrar of Voters (Registrar) is responsible for providing equal access for all eligible citizens in Riverside County to participate in the democratic process. The Registrar is also entrusted with protecting the integrity of votes and maintaining transparent, accurate, and fair elections for federal, state, and local offices. Registrar of Voters has an adopted budget of \$17 million for FY 2020-21 and has 39 authorized positions to execute its responsibilities *County of Riverside, Fiscal Year 2020-21 Adopted Budget, September 2020 141*.

**Audit Objective**

Our objective is to provide management and the Board of Supervisors with an independent assessment about the adequacy and effectiveness of internal controls over equipment leases, poll inspector training, procurement cards, and purchase order process. Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

**Audit Scope and Methodology**

We conducted the audit from March 16, 2021, through May 20, 2021, for operations from July 1, 2019, through May 20, 2021. Following a risk-based approach, our scope initially included the following:

- Help America Vote Act fund
- Equipment leases
- Poll inspector training
- Procurement cards
- Purchase order process
- Equipment maintenance contract

Through inquiry, observations, and examination of relevant documentation related to Help America Vote Act fund and equipment maintenance contract, we concluded that internal controls over these areas are sufficient to mitigate the risk we initially assessed in these areas. As such, we focused our audit scope to internal controls over equipment leases, poll inspector training, procurement cards, and purchase order process.

## Internal Audit Report 2021-018: Riverside County Registrar of Voters

### Audit Highlights

#### *Summary of Existing Conditions*

The current processes have not mitigated the following risk areas:

- Registrar has no evaluation methods and survey forms in place to measure the effectiveness of the poll inspector training program. Evaluation methods and survey forms help assess the quality of the training and improve future trainings for elections to help ensure the efficacy of elections.
- Registrar misclassified operational leases as capital leases. With no communication and coordination with the Auditor-Controller Office reporting team, operating leases were not accounted for accurately. This impacts the accuracy and reliability of financial reporting.
- Identified instances of split purchases using the procurement card. This weakens the internal controls within the procurement card program that help safeguard county resources.
- Identified Purchase orders that were created after receipt of the invoices. Purchase orders formalize requirements, and pricing, and serve as legally binding documentation of the goods/services. It helps avoid duplicate orders, surprise price increases and helps keeping track of incoming orders.

#### *Summary of Improvement Opportunities*

The improvement opportunities are in the following areas:

- Ensure Registrar design a system to assess the quality performance of the poll inspector training. This will help ensure poll inspectors are prepared to correctly perform their duties on election day and best serve the voters.
- Registrar coordinate with the Auditor-Controller's Office reporting team to ensure proper recognition and reporting of capital and operating lease assets and expenditures.
- Ensure procurement cardholders are following the Riverside County Procurement Card Program procedure handbook. This will provide management assurance that cards can only be used for specific type of purchases with established dollar limits.

**Internal Audit Report 2021-018: Riverside County Registrar of Voters**

- Establish a process to prevent issuing purchase orders after receipt of invoices. This will ensure compliance with Riverside County policy on purchasing goods, and services.

**Audit Conclusion**

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to equipment leases, poll inspector training, procurement cards, and purchase order process.

**Internal Audit Report 2021-018: Riverside County Registrar of Voters**

## **Equipment Leases**

### **Background**

The Financial Accounting Standard Board established principles for lease accounting in its Statement 13, *Accounting for Leases*, and its numerous amendments. These statements specify the appropriate accounting for leases through their classification as either capital or operating. Governmental Accounting Standard Board codification provides that Statement 13 should be the guidelines for accounting and financial reporting for lease agreements, except for operating leases with schedule rent increases that are fixed by contract.

Governmental Accounting Standard Board, Statement 87, *Lease*, requires all leases to be reported as capital leases and eliminates the classification of an operating lease unless the lease is a short-term, defined as 12 months or fewer. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. Furthermore, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

### **Objective**

To determine whether internal controls are maintained over recording of capital lease assets.

### **Audit Methodology**

To accomplish these objectives, we:

- Obtained an understanding of GASB Statement No. 62, paragraph 222, *Operating Lease Rental*, and GASB Statement No. 87, paragraph 20, *Lease Accounting Simplified*.
- Obtained a listing of capital lease assets tracked in the Riverside County financial system asset management module.
- Verified whether proper forms and completed supporting documentation submitted to Riverside County Auditor-Controller's Office.



**Internal Audit Report 2021-018: Riverside County Registrar of Voters**

**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.

**Recommendation 1.2**

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

**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.

Internal Audit Report 2021-018: Riverside County Registrar of Voters

## Poll Inspector Training

### Background

The Registrar is responsible for providing access for all eligible citizens in Riverside County to participate in the democratic process. There are key areas where election workers interact with voters: at the polling location, including upon arrival, at check-in, and while moving throughout the routine voting process. To fulfill that role, poll inspectors should be familiar with the rights of voters, be trained in cultural and gender sensitivity, know how and when to assist voters with disabilities, know how and when to assist voters with specific needs, and know their responsibilities and the limits to their authority.

### Objective

To determine compliance with the *Office of Secretary of State Standards Poll Worker Training*.

### Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of California Code, Election Code - ELEC 12309.5, *Uniform Standard for the training of precinct board members*.
- Obtained and reviewed Registrar's Election Officer Guide March 2021 Manual and the online virtual source of training.
- Reviewed if Registrar training program complied with "*The Office of the Secretary of State Standards Poll Worker Training*" evaluation methods and survey forms.

### 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

**Internal Audit Report 2021-018: Riverside County Registrar of Voters**

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.



**Internal Audit Report 2021-018: Riverside County Registrar of Voters**

**Procurement Cards**

**Background**

The County's Procurement Card program was developed to improve efficiencies associated with the procurement process and reduce the costs associated with making purchases and processing vendor payments. The program requires compliance with current statutes and county procurement procedures and is intended to improve the timely delivery of products and services.

The Riverside County Purchasing & Fleet Services Department (Purchasing) is responsible for managing and monitoring the overall program. Additionally, Purchasing administers the training required for all program participants, establishes, and communicates rules and guidelines, oversees participants' compliance with the county's procurement policies and procedures, and coordinates the interface between U. S. Bank and the county. Cardholders are required to comply with the Procurement Card Manual as written by Purchasing. Additionally, cardholders must complete the training prior to being provided with a procurement card.

The procurement card policy has controls developed and implemented that are different than traditional credit cards. The controls ensure the cards can be used only for specific types of purchases with established dollar limits. Additionally, approving officials assigned to each cardholder are required to provide prior approval on the purchases. The cardholder is responsible to verify all purchases once card statement is obtained.

As an integral part of a county department's internal control structure, management within each department is responsible for a system of internal controls that effectively and efficiently performs financial related activities and safeguards assets. The system should provide management with reasonable assurance that assets are properly safeguarded against loss from unauthorized use or theft, and transactions are executed in accordance with management's authorization.

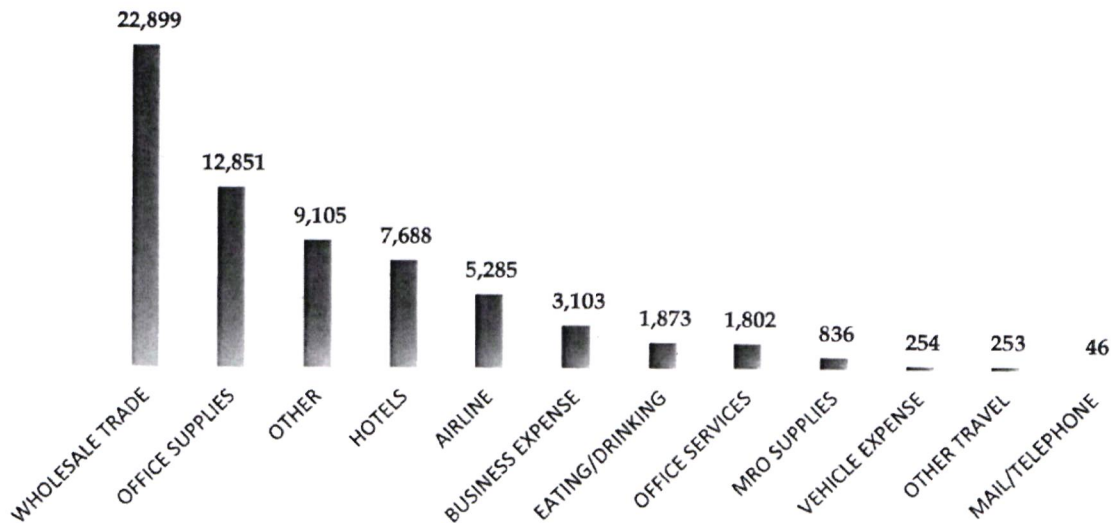
Registrar of Voters has four procurement cardholders, as of February 3, 2021. Procurement card expenditures for the period July 1, 2019, through February 3, 2021, included 262 transactions totaling \$65,996.

The chart below illustrates the Registrar procurement card expenditures for the period July 1, 2019, through February 3, 2021, categorized in the following: wholesale trade, office supplies, other, hotels, airline, business expense, eating/drinking, office services,

**Internal Audit Report 2021-018: Riverside County Registrar of Voters**

medical repair operations (MRO) supplies, vehicle expense, other travel, and mail/telephone. Expenditures for the top three merchant groups include wholesale trade at \$22,899, office supplies at \$12,851, and other at \$9,105. These transactions make up 68% of the total procurement card transactions, for a total of \$44,855.

**Registrar of Voters  
 Procurement Card Transactions  
 (July 1, 2019 through February 3, 2021)**



Background of area reviewed.

**Objective**

To determine if proper management controls are maintained over the authorization and use of the department's procurement card.

**Audit Methodology**

To accomplish our objectives, we performed the following:

- Reviewed County policies and procedures, specifically:
  - County of Riverside Procurement Card Program, Procedure Handbook (8/1/2016)



**Internal Audit Report 2021-018: Riverside County Registrar of Voters**

- Board Policy A-62, *Credit Card Use*
- Board Policy D-1, *Reimbursement for General Travel and Other Actual and Necessary Expenses*
- Obtained and reviewed department policies and other documents to determine compliance with Riverside County's procurement card policies and procedures.
- Obtained a listing of all procurement cardholders and reviewed transactions for compliance to cardholder agreements.
- Analyzed procurement card data pulled from County of Riverside financial systems and U.S. Bank for audit period.
- Examined cardholder transaction logs, receipts, and credit card statements.
- Verified for appropriate levels of management review and approval.
- Interviewed key personnel regarding procurement card internal controls and their processes.
- Reviewed supporting documentation for procurement card expenditures.

**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.

**Internal Audit Report 2021-018: Riverside County Registrar of Voters**

**Purchase Order Process**

**Background**

The purchase order process involves the acquisition of equipment, furnishings, supplies, maintenance, construction, and contractual services within pre-established budgetary constraints. Riverside County Purchasing Policy Manual provides uniform procedures for purchasing goods and services needed in the operation of County of Riverside departments and agencies. Purchase orders perform a key role in the acquisition process. A well-detailed purchase order clearly defines the item or service being purchased, vendor information, specific terms of the purchase, and specifications of cost, quantities, and delivery terms. Riverside County uses a variety of purchase orders to procure supplies and services.

The Board of Supervisors delegated the authority to purchase and contract to the Purchasing Agent, via Riverside County Ordinance No. 459, as amended through 459.5, *Establishing Purchasing Policies and Procedures*. The Director of Purchasing is the Purchasing Agent for Riverside County. The Purchasing Agent has delegated their authority to staff with varying limitations.

Depending on the size and complexity of the department, the Purchasing Agent may assign staff to the department. Purchasing Policy Manual dated August 1, 2015, and September 1, 2016, requires a purchase order for all purchases unless the item or service was approved by the Board of Supervisors or exempt by Board Ordinance 459.

Riverside County Board Ordinance No. 459.6, Section (7), *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. An exception to this policy can be made for certain items, including election supplies.

Registrar's of Voters departmental policies and procedures Section No: G-8 *Payment Vouchers Procedures* states, "For non-election related items, if the invoice total is more than \$399.99 but less than \$5,000.00 a purchase order is not required. If the invoice total is over \$5,000.00, purchase order must be acquired from the Purchasing Department."

## Internal Audit Report 2021-018: Riverside County Registrar of Voters

### Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over purchase order process relating to voting expenditure activities.

### Audit Methodology

To accomplish these objectives, we:

- Identified and reviewed Riverside County Purchasing Policy Manual, and Riverside County Board Ordinance No. 459, as amended through 459.5, *Establishing Purchasing Policies and Procedures*.
- Conducted interviews and performed walk-throughs with Registrar personnel.
- Reviewed financial information from the Riverside County financial system for the period of July 1, 2021, through March 18, 2021.
- Selected a sampling of 20 purchase orders from election expenses and 10 purchase orders from printing & binding, valued at \$3,890,557 and \$256,703 respectively.
- Reviewed purchase orders and verified they had been approved by the appropriate personnel.
- Reviewed purchases to ensure compliance with the Purchasing Manual with regards to bid splitting.
- Reviewed expenditures were incurred after the purchase order was approved.

### 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

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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.

# ATTACHMENT B

## RIVERSIDE COUNTY REGISTRAR OF VOTERS

The following are the current status of the reported findings and planned corrective actions contained in Internal Audit Report 2021-018: Riverside County Registrar of Voters Audit.

*Rebecca Spemore*

3/6/2023

Authorized Signature

Date

### 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."

### Current Status

Reported Finding Corrected?  Yes  No

### 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.

### Management Reply

No response provided in the original audit.

### Current Status

Corrective Action:  Fully Implemented  Partially Implemented  Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

Additional equipment has been leased. We will work with the Auditor-Controller's Office to make sure that the leased assets are categorized properly.



**Recommendation 1.2**

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

**Management Reply**

No response provided in the original audit.

**Current Status**

Corrective Action:  Fully Implemented       Partially Implemented       Not Implemented

**Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).**

Additional equipment has been leased. We will work with the Auditor-Controller's Office to make sure that the leased assets are categorized properly.

**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.

**Management Reply**

No response provided in the original audit.

**Current Status**

Corrective Action:  Fully Implemented       Partially Implemented       Not Implemented

**Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).**

Additional equipment has been leased. We will work with the Auditor-Controller's Office to make sure that the leased assets are categorized properly.

**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.

**Current Status**

Reported Finding Corrected?       Yes       No

**Recommendation 2**

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

**Management Reply**

No response provided in the original audit.

**Current Status**

Corrective Action:    Fully Implemented       Partially Implemented       Not Implemented

**Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).**

All election officers are provided a comment sheet to provide feedback.

**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.

**Current Status**

Reported Finding Corrected?       Yes       No

**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.

**Management Reply**

No response provided in the original audit.

**Current Status**

Corrective Action:  Fully Implemented     Partially Implemented     Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

We have all new fiscal staff members that will go through the proper P Card training.

**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.

**Current Status**

Reported Finding Corrected?     Yes     No

**Recommendation 4**

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

**Management Reply**

No response provided in the original audit.

**Current Status**

Corrective Action:     Fully Implemented     Partially Implemented     Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

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