

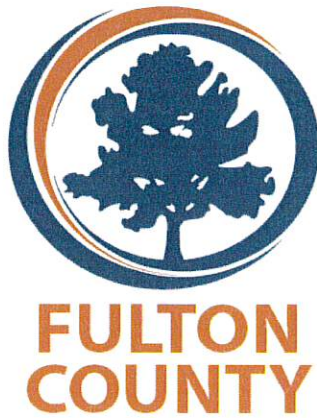


INTEROFFICE MEMORANDUM

TO: Fulton County Board of Commissioners
FROM: Anthony Nicks, County Auditor *AN*
DATE: August 3, 2021
SUBJECT: Registration & Elections – Financial Review

The Office of the County Auditor has completed the financial review of Registration & Elections at the request of Commissioner Hausmann. The scope of the audit was from January 1, 2020 through December 31, 2020; however, we extended our scope to April, 2021 to encompass the financial transactions associated with the special election held on January 5, 2021. We've attached management's responses to the audit as well.

If you have any questions or need additional information, please feel free to contact me at extension 21019.



FULTON COUNTY, GEORGIA
OFFICE OF THE COUNTY AUDITOR
Registration and Elections Financial Review
August 2, 2021

TABLE OF CONTENTS

INTRODUCTION	1
BACKGROUND	1
OBJECTIVE	1
SCOPE	1
METHODOLOGY	1
FINDINGS AND RECOMMENDATIONS	2
Finding 1 – Lack of Departmental Standard Operating Procedures	2
Recommendation	3
Finding 2 – Inconsistent Procurement Procedures	3
Recommendation	4
Finding 3 – Untimely Payment of Invoices	4
Recommendation	5
Finding 4 – Lack of Supporting Documentation	5
Recommendation	5
Finding 5 – Improper Payment of Services	5
Recommendation	6
Finding 6 – Inadequate Safeguarding of Assets	6
Recommendation	6
Finding 7 – Failure to Comply with Grant Requirements: Return of Unused Funds	6
Recommendation	6
Finding 8 – Failure to Comply with Grant Requirements: Obligation Not Satisfied	7
Recommendation	7
Finding 9 – Inadequate Departmental Accountability and Oversight of Financial Transactions	7
Recommendation	7
Concern 1 – Misclassification of Expenditures	8
Recommendation	8
CONCLUSION	8

INTRODUCTION

In accordance with the 2021 approved Audit Plan, the Office of the County Auditor performed a financial review of the Registration and Elections Department.

BACKGROUND

The Registration and Elections Department is responsible for overseeing the allocation of voting machines, managing polling locations, ensuring the accessibility, integrity and efficiency of the polling process and many other tasks to ensure elections run smoothly. The Registration and Elections Department works diligently with federal, state and other local election authorities to ensure the safety and security of the voting systems. County election officials strive to administer elections in a way that is accurate, safe, secure and accessible for all voters.

Additionally, the Registration and Elections Department is responsible for registering voters who reside within Fulton County. The Fulton County Board of Registration and Elections has jurisdiction over the Department of Registration and Elections.

OBJECTIVE

The objectives of the review were to verify that funds allocated to the department by the Board of Commissioners were used as intended. Additionally, we ensured that grant funds awarded to the department were expended in accordance with grant requirements. The adequacy of controls over the department's financial transactions were evaluated to ensure resources were used in an efficient and effective manner.

SCOPE

The scope of the audit was from January 1, 2020 through December 31, 2020; however, we extended our scope to April, 2021 to encompass the financial transactions associated with the special election held on January 5, 2021.

The Registration and Elections Department received three grants; one (1) from Southern Poverty Law Center (SPLC) and two (2) from the Center for Tech and Civic Life (CTCL) and (CTC2). The department received an extension through June 30, 2021 for the two (2) grants from the Center for Tech and Civic Life. Due to the scope of our audit being from January, 2020 through April, 2021, we were unable to review the closeout of these 2 grants. We may review expenditures related to these grants at a future date.

METHODOLOGY

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

To achieve our audit objectives, we performed the following audit procedures:

- Conducted interviews with key staff, to determine the established processes and procedures related to procurement and expense transactions, as well as, identify internal controls implemented;
- Performed walkthroughs to observe key processes and procedures related to the day-to-day operations;
- Reviewed the Election Budget Process;
- Reviewed the Supply & Logistics Standard Operating Procedures;
- Reviewed the Poll Worker Manual;
- Reviewed the grants process;
- Reviewed all departmental contracts/grants for calendar year 2020;
- Reviewed departmental organizational chart;
- Reviewed the 2020 proposed budget and adopted budget;
- Reviewed all emergency procurements;
- Assessed the departmental spending authority; and
- Ensured compliance with all grant funds received

We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our findings and recommendations are detailed below.

FINDINGS AND RECOMMENDATIONS

Finding 1 – Lack of Departmental Standard Operating Procedures

Standard Operating Procedures (SOPs) are developed to achieve efficiency, quality output, uniformity of performance, and compliance with regulations while reducing miscommunication. Upon requesting the departmental SOPs, we were provided with SOPs for Poll Workers, Supply & Logistics, Advance Voting, and the Budget Process; however, we were not provided with departmental SOPs that outlined routine tasks for employees. It is also important to note that SOPs must be current, complete, and effectively implemented within the department to achieve the desired impact. SOPs, at a minimum, should include the five elements reflected below:

- ✚ **Purpose** - The SOP should define the purpose of the work and clearly outline its objectives. Describe the problems the SOP will solve, who the SOP is for, and where and how it will be used.

- ✚ **Procedures** - An SOP not only defines tasks but also provides guidelines for how to complete tasks. Procedures include all of the necessary steps an employee must take in an easily understood format.
- ✚ **Scope** - The scope defines the use and applicability of the SOP.
- ✚ **Responsibilities** - The SOP should outline who performs the tasks and who to contact if problems arise. It also outlines the person in charge of its implementation, review, and updates.
- ✚ **Accountability measures** - SOPs are intended to improve accountability. Outlining the responsibilities of each person within an organization ensures accountability for assigned projects.

We noted that the aforementioned procedures submitted by the department were not complete, more specifically, the procedures were not dated and the purpose was not clearly defined. As a result, we were not able to determine the relevancy of some of the procedures submitted or if the procedures were current. It appears that management has not drafted and approved departmental standard operating procedures nor communicated these procedures to staff as management informed us that they were currently updating some of their procedures. The lack of departmental SOPs may impede the timely completion of routine tasks, decrease efficiency, and hinder quality through systemic homogenization. SOPs will also prove to be ineffective and unused if they are not current, aligned with State guidelines, and properly implemented.

Recommendation

Management needs to develop departmental SOPs to reflect changes in the operating environment and standards of practice to ensure the consistent execution of day-to-day operations and business processes. Additionally, management should ensure that everyone is informed about the departmental SOPs and understands their significance in maintaining the overall integrity of the department. Management should also ensure SOPs are complete, clearly written, and based on input from the employees who do the job.

Finding 2 – Inconsistent Procurement Procedures

The Department of Purchasing's SOPs reflect that an invoice should be provided by vendors to the County as a demand for payment of goods or services provided under the provisions of a contract (purchase order) awarded by the County. Additionally, when procuring goods and services from vendors, it is imperative to have processes and procedures in place (*Refer to the flowchart below*).



The purchase order process ensures that the buyer and supplier understand what has been agreed upon. The purchase order details exactly what has been ordered, the cost, delivery expectations, and payment terms. The journey of the purchase order from the moment it is created involves approval, dispatch, delivery of goods or services, invoicing, matching and closure. Once approved by the organization and accepted by the vendor, the purchase order becomes a legally binding document. Purchase orders provide clear instructions to the vendor and help buyers to maintain control of budgets and an accurate paper trail.

Upon reviewing purchasing documentation from the department, it was noted that purchase orders were generated after the receipt of the invoices from the vendor for approximately \$2.4 million of the \$4.4 million sample selected. Many of the purchase orders were generated to pay for late invoices as a result of inadequate budgeting. The lack of standardizing, reviewing, and maintaining effective procurement procedures impedes the provision of complete transparency and visibility. In addition, the absence of a consistent procurement process lends to disputes and misinterpretation.

Recommendation

We recommend the department adheres to consistent procurement practices to mitigate/alleviate disputes and misinterpretation.

Finding 3 – Untimely Payment of Invoices

According to Fulton County's purchase orders, invoices received for payment should be paid within thirty (30) days after receipt of a proper invoice. During our review, we noted that of the twelve (12) general fund invoices received from our sample, ten (10) or 83% were not submitted timely for payment.

During our review of the grant funds, we noted that six (6) out of fifty-one (51) or 12% of the invoices were not paid timely. Management informed us that untimely payments were due to lack of oversight as well as the complexity of the most recent elections. Failure to process timely payments may cause unnecessary late fees, hinder relationships with vendors, and create accounting and reporting issues.

Recommendation

We recommend all invoices are submitted timely to comply with purchasing standards. Furthermore, the department should implement procedures that outlines the timely receipt of goods and submission of invoices for payment.

Finding 4 – Lack of Supporting Documentation

Supporting documentation provides a record of events, activities and evidence of what has transpired. Proper documentation also provides information for researching discrepancies. We sampled invoice files for transactions that occurred during the scope of our audit and noted the department did not maintain records for professional services, including overtime, totaling \$1,965,260. This is the result of inadequate management and oversight of the contract as vendor invoices should be verified internally against the department's records. Management informed us that the verbal agreement between Fulton County and the vendor for these professional services was \$450K; however, Fulton County was billed 4 times that amount. Subsequently, the department possessed no verifiable means (i.e., timesheets) of onsite support that could be used to validate the invoices submitted for payment. Failure to maintain supporting documentation may cause overpayment of expenses, unauthorized charges, lack of County oversight, and incorrect financial reporting.

Recommendation

We recommend the department implements a system to track hourly and/or daily attendance for use by contractors and sub-contractors to record their on-site presence. This would provide the department with a verifiable means of work hours that can be used to compare to invoices for payment. In addition, we recommend the department requests detailed timesheets from the vendor to ensure all billed expenses were valid.

Finding 5 – Improper Payment of Services

Pursuant to purchasing procedures, invoices should be submitted to Fulton County Government, at the attention of the Finance Department – Accounts Payable. The invoice should include the vendor information, the invoice details, and Fulton County's department information; more specifically, the department's name and the department's representative's name. In the course of our review of financial transactions, we noted that seven invoices were billed to Atlanta Public Schools from American Facility Services, and paid by Fulton County. Management informed us that Fulton County had an arrangement with Atlanta Public Schools to provide polling sites disinfection services. However, the department was unable to provide a written copy of an agreement to verify that an arrangement was in place that obligated the County to pay for said services. The lack of an approved agreement and a proper invoice present the challenge of knowing the validity and accuracy of services provided.

Recommendation

We recommend the department adhere to the purchasing procedures and conduct supervisory reviews of all invoices prior to submitting for payment to possibly mitigate and alleviate invoicing errors and improper payment for services.

Finding 6 – Inadequate Safeguarding of Assets

Best practices in the safeguarding of assets reflect that physical restrictions on access to assets and records, along with proper training on security of assets, may avert fraud, waste and abuse. We performed an onsite audit of inventory which consisted of 260 Cradlepoint Routers at a cost of \$365 each, totaling \$94,900. We noted that fifteen (15) or 6% of the routers could not be physically located. We were informed that the routers may have been sent to the wrong department for storage; however, as of the report date, the department has not located these items. Failure to maintain proper safeguarding of assets may lead to theft, unauthorized use of County property and inaccurate record keeping and reporting.

Recommendation

We recommend the Registration and Elections Department incorporate effective and efficient safeguarding procedures and controls over assets, to include, adequate inventory and control of equipment; identifying numbers tagged on equipment and placed into inventory records and periodic review of inventory counts to ensure equipment is properly safeguarded and accounted for.

Finding 7 – Failure to Comply with Grant Requirements: Return of Unused Funds

On September 1, 2020 Fulton County was awarded an \$85,000 grant from the Southern Poverty Law Center (SPLC) for the sole purpose of purchasing (25) absentee ballot drop boxes and accompanying video surveillance cameras. The grant specified that any unused funds were to be returned to the SPLC by December 31, 2020. During our review, we identified that (21) ballot drop boxes were purchased on September 10, 2020 for a total cost of \$40,614. We also noted that as of the date of our review, the remaining \$44,386 had not been returned to the SPLC and the funds remain in the Registration and Election Department's budget. We were informed by management that they have been in contact with the County's Grants Division regarding the return of these funds; however, as of the report date, the funds have not been returned. Failure to return grant funds by the agreed upon deadline may lead to misuse of funds, restriction of future funding, as well as inaccurate recordkeeping and financial reporting.

Recommendation

We recommend the Registration and Elections Department implement the necessary controls to ensure compliance with grant guidelines.

Finding 8 – Failure to Comply with Grant Requirements: Obligation Not Satisfied

The SPLC grant also specifies as a grant requirement, that “the County provide a direct link to the Fulton County website, displaying the amount of absentee ballots that were returned to the Registration and Elections Board, for the 2020 general election, using the absentee ballot drop boxes. This link should also indicate how many ballots were accepted and counted.” We did not locate the information on the County’s website and the department did not provide documentation to support any public disclosure. We were informed by management that the request for this information to be placed on the County’s website was made verbally, but not in writing. Failure to adhere to agreed upon grant requirement could lead to revocation of grant funds or prohibition of future funds.

Recommendation

We recommend the Registration and Elections Department implement the necessary controls to ensure compliance with grant guidelines.

Finding 9 – Inadequate Departmental Accountability and Oversight of Financial Transactions

Departmental accountability and oversight for financial transactions should be maintained at all times. Our audit revealed that there were inadequate departmental accountability and oversight over the financial operations within the department during the scope of our audit. There were errors reflected in the departmental accounting records, invoices that preceded purchase orders, untimely payment of invoices, insufficient supporting documentation, overpayment for services, and delayed responses to our requests. Additionally, we were diverted to other departments to fulfill our request for copies of certain financial transactions. We were informed by management that many of these transactions were not handled under their purview. Lack of financial accountability and oversight leads to inadequate financial reporting that ultimately will not give a true and fair view of the departmental operations. This also increases the risk of financial mismanagement.

Recommendation

We recommend that departmental managers provide oversight over all departmental activities, but particularly those involving financial transactions as management bears primary responsibility for maintaining financial accountability and control over departmental funds. In addition, management should be intimately involved and knowledgeable of financial matters within the department to exert meaningful oversight. Lastly, we encourage management to ensure employees are properly trained and informed of policies and procedures to effectively perform their job duties and responsibilities.

Concern 1 – Misclassification of Expenditures

Review of expenditure classification should occur to ensure expenditures are classified properly upon the initiation of a payment voucher and/or purchase order. This is done at the department level when creating an electronic payment requests prior to submission to accounts payable. A sample review of payment vouchers and invoices revealed that a transaction that occurred between Fulton County and BlueCrest yielded discrepancies with the classification of the procurement. For example, the payment voucher classified the entire purchase as hardware; however, the purchase consisted of hardware, software, and licensing and should have properly been classified as such. Management did not properly classify each aspect of the expenditure. Consequently, this created a misrepresentation of actual expenditures for accounting categories that define the types of expenses that have been paid in the department.

Recommendation

We recommend the department implement procedures to ensure expenditures are classified properly when initiating payment vouchers and purchase orders. Additionally, supervisory reviews should be conducted to verify that invoice descriptions match the appropriate category prior to processing for payment.

CONCLUSION

Based on the audit performed, we identified the following nine (9) findings and one (1) concern that require the attention of management:

- Lack of Departmental Standard Operating Procedures;
- Inconsistent Procurement Procedures;
- Untimely Payment of Invoices;
- Lack of Supporting Documentation
- Improper Payment of Services
- Inadequate Safeguarding of Assets
- Return of Unused Funds
- Obligation Not Satisfied
- Inadequate Departmental Accountability and Oversight of Financial Transactions

Additionally, we noted one concern in reference to the misclassification of expenditures.

Management should continue to ensure that appropriate corrective actions are taken to strengthen the internal controls and improve the operations of the Registration and Elections Department. Management should work expeditiously to develop effective departmental operating policies and procedures in an effort to provide a clear understanding and guidelines for the department.

Please provide a written response to this audit within ten (10) business days. Be sure to address the written response to Anthony Nicks, County Auditor. The written response should be submitted through the County Manager's Office and to Joi Hargis, Audit Coordinator, in the Office of the County Auditor at joi.hargis@fultoncountyga.gov. We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.