Audit Department

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Angela M. Darragh, CPA, CFE, CISA, Director

October 26, 2015

Mr. Don Burnette
Clark County Manager
500 South Grand Central Parkway, 6th Floor
Las Vegas, Nevada 89106

Dear Mr. Burnette:

We recently completed a review of the Election Department's Interlocal Agreements. These individual agreements between the County and cities of Las Vegas, North Las Vegas, Boulder City, and Henderson, require the Election Department to conduct city municipal elections in each odd-numbered year. The audit was conducted at the request of County Management. The last day of fieldwork was October 16, 2015. The objectives of this audit are to determine whether: contracts for each municipality are consistent; agreement terms are being followed by parties involved; and whether the agreements allow for adequate compensation for County resources.

We found that contract requirements and verbiage was not consistent between the City of Las Vegas Interlocal Agreement and the Interlocal Agreements from the other cities. We also found that Clark County overbilled the City of Las Vegas $19,500 for Team Leader and Assistant Team Leader services based on the Interlocal.

Further, we believe Clark County is not billing entities the full cost of providing municipal election services. In addition to certain labor costs, Clark County is not billing other charges for services and supplies used by the department, and charges for voting machine equipment and software. Based on our estimates, the County is not billing for approximately $3.09 million in costs incurred to hold municipal elections.

A draft report was provided to the Registrar of Voters for comment. His response is included in our audit report.

We appreciate the cooperation and assistance provided by the staff and management of the Elections Department and the Budget Manager.

Sincerely,

Angela M. Darragh

Angela M. Darragh, CPA
Audit Director

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Audit Report

Election Department
Review of Municipal Interlocal Agreements

October 2015

Angela M. Darragh, CPA, CISA, CFE
Audit Director

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REPORT DETAILS

BACKGROUND

The Clark County Election Department has Interlocal Agreements with the cities of Las Vegas, North Las Vegas, Henderson, and Boulder City to provide election services. Each Interlocal Agreement requires the Election Department to conduct municipal elections to be held in April and June of each odd-numbered year including early voting and any special elections throughout the year. Each agreement also specifies certain responsibilities for the County and each respective city. In addition, each agreement identifies the costs of the service and reimbursement required by the County. In 2011, Assembly Bill 132 changed NRS 293C.115 to allow municipalities to hold their elections on the same cycle as the County, which could potentially provide cost savings to those cities. Although the City of Mesquite moved their elections to coincide with the County's, the cities of Las Vegas, North Las Vegas, Henderson, and Boulder City, continue to hold their municipal elections in odd years.

For the municipal elections held in spring 2015, the elections costs billed to the cities amounted to $260,124 for Las Vegas, $68,103 for North Las Vegas, $100,098 for Henderson, and $13,653 for Boulder City.

PURPOSE, SCOPE, AND OBJECTIVES

The objectives of this audit are to determine whether: contracts for each municipality are consistent; agreement terms are being followed by parties involved; and whether the agreements allow for adequate compensation for County resources.

In order to achieve our objectives, we interviewed personnel and examined documentation covering Election expenditures and related reimbursements. Specifically, we obtained and reviewed current Interlocal Agreements for each of the cities for consistency. We also produced and reviewed a report summarizing Election expenditures for the January 1, 2015 through June 30, 2015 timeframe. In addition, we obtained the City of Las Vegas invoice (#90180531) for the Primary Election held on April 7, 2015, which totaled $260,124. We also met with Election Department personnel and discussed expenditure comparisons between expense items from the report and charges billed to the City of Las Vegas.

We did not select statistically relevant samples for review. However, we believe the items selected are sufficient to identify findings related to the population. Our review did not include an assessment of internal controls in the audited areas. The last day of fieldwork was October 16, 2015.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

CONCLUSION

We found that contract requirements and verbiage was not consistent between the City of Las Vegas Interlocal Agreement and the Interlocal Agreements from the other cities. We also found that Clark County overbilled the City of Las Vegas $19,500 for Team Leader and Assistant Team Leader services based on the Interlocal.

Further, we believe Clark County is not billing entities the full cost of providing municipal election services. In addition to certain labor costs, Clark County is not billing sufficiently for services and supplies used by the department, or charges for voting machine equipment and software. Based on our estimates, the County is not billing for approximately $3.09 million in costs incurred to hold municipal elections.

Each finding includes a ranking of risk based on the risk assessment that takes into consideration the circumstances of the current condition including compensating controls and the potential impact on reputation and customer confidence, safety and health, finances, productivity, and the possibility of fines or legal penalties.

FINDINGS, RECOMMENDATIONS, AND RESPONSES

FINDING 1 – BILLING LABOR ASSOCIATED WITH CONDUCTING A MUNICIPAL ELECTION (HIGH)

The current Election Interlocal agreements with the cities of Las Vegas, North Las Vegas, Henderson, and Boulder City stipulate that the *"cities agree to pay to COUNTY a sum equal to the expenses incurred by COUNTY in its performance of this AGREEMENT, including reimbursement of all personnel costs incurred as a direct result of conducting the CITY's elections"*. However, the Election Department is only billing each of the cities labor associated with early voting and Election Day voting, for temporary staff and a predetermined amount for permanent staff, and permanent staff overtime.

The Election Department is not billing for permanent employee labor and associated benefits for Election Department staff working on each of the city municipal elections. According to the Election Department, staff spends as much as 100% of their time working on municipal elections for 5 1/2 months (or more) encompassing the primary and general elections, to include planning and conducting elections, and post-election closure.

Further, County employees work election sites as Team Leaders and Assistant Team Leaders, but the County receives only $130 per day compensation from the cities for this labor. This is significantly less than the actual hourly wage of the employees and does not include associated benefits costs or overtime. By not billing the full amount for labor spent on the election, the County is subsidizing labor costs associated with conducting those elections for each of the Cities.

AUDITOR'S RECOMMENDATION

1. Bill the cities all labor and benefit costs incurred in conducting Municipal Elections, including full time County staff assigned to the Election at any time, including time spent planning and preparing to hold the election and post-election closure.

POTENTIAL FISCAL IMPACT

Implementing this recommendation would result in an increase in election billings to each city and revenue to Clark County Elections Services of approximately $1.41 million for labor and benefit costs, which is currently subsidized by the County.

MANAGEMENT RESPONSE

If municipalities were to move their election to our cycles in the even numbered years, we would have staff available to assist in other areas of service to the County. My staff is fully focused on providing election services to the municipalities from January to mid-June in the odd years. It would also give election staff an opportunity to develop, test, and implement new services or technology for our even

year elections. We agree with the assessment and will work to implement the recommended corrective actions.

FINDING 2 – ADDITIONAL ELECTION EXPENDITURES NOT BILLED TO CITIES (HIGH)

As previously discussed, the terms of each of the Election Interlocal Agreements states that the *"CITY agrees to pay to COUNTY a sum equal to the expense incurred by COUNTY in its performance of this agreement, including reimbursement of all personnel costs incurred as a direct result of conducting the CITY's elections"*.

We compared actual Election Department expenditures to the actual costs billed to the City of Las Vegas, and found various expenditures currently not being billed by the Election Department. The Department charges for items such as cellular phones used during election day, mileage for early voting and election day, portable restroom rental, security services, vehicle rental, light rental, postage, and printing. However, these items are not representative of the total costs the department spends on services and supplies during the 5 ½ months the department is devoting resources to the election. By not charging these types of expenditures, the County is partially subsidizing elections it conducts for each of the cities.

AUDITOR'S RECOMMENDATION

1. Bill the cities all expenses incurred in conducting municipal elections by pro-rating services and supplies spent by the Election Department.

POTENTIAL FISCAL IMPACT

Implementing this recommendation would result in an increase in election billings to each city and revenue to Clark County Elections Services of approximately $1.41 million, which represents the amount currently subsidized by the County.

MANAGEMENT RESPONSE

We agree with the assessment and will work to implement the recommended corrective actions.

FINDING 3 – COUNTY SHOULD CHARGE FOR VOTING EQUIPMENT, ELECTRONICS AND SOFTWARE EXPENDITURES (MEDIUM)

The Election Department purchases, maintains, repairs, and utilizes voting equipment, electronics, related software, and other miscellaneous assets used in conducting elections. We believe the County should be charging associated costs to compensate for wear and tear of the equipment and facilitate replacement and on-going repairs of such assets. Again, the current billing practice shifts costs for municipal elections to the County by not requiring the cities to compensate the County for voting equipment, devices, and software expenditures they would otherwise be responsible for incurring.

AUDITOR'S RECOMMENDATION

1. Include charges for voting equipment, devices, and software replacement and repairs in future billings for election expenses.

POTENTIAL FISCAL IMPACT

Other government entities charge between $100 and $350 per day to rent voting equipment. We developed an estimate based on a twelve year useful life and original costs for current equipment and annual licensing fees. Based on that calculation, we believe a charge of $108.68 per machine would reasonably compensate for those costs. We estimate implementing this recommendation could result in $83,000 of additional income for primaries and $38,800 for general municipal elections. This amount may need to be adjusted upwards to reflect current purchasing costs and additional hardware and software needed to support the function, such as laptops used at voting sites.

MANAGEMENT RESPONSE

Clark County has taken the lead in providing premium election service to the cities with no help from the municipalities to pay for the cost of voting equipment and its maintenance. Charging them for the use of our equipment could help us provide the funding which will be necessary to replace our aging systems and add additional technology to further automate our election processes in the future. We agree with the assessment and will work to implement the recommended corrective actions.

FINDING 4 – REVIEW AND UPDATE CURRENT CITY OF LAS VEGAS INTERLOCAL AGREEMENT (MEDIUM)

The Election Interlocal Agreements for all the cities of Clark County should be structured consistently to more effectively and efficiently implement and monitor each contract. However, we found that the City of Las Vegas Interlocal Agreement includes several requirements that were not in the contracts for the City of North Las Vegas, Henderson, and Boulder City. They include the following:

- Article VI – *"The COUNTY agrees to provide the CITY with an estimated number of election workers, hours anticipated to be worked, and the approximate hourly charge for each worker by December 15 in the year preceding the CITY election."*
- Article VI – *"Written notification of anticipated costs billed directly to CITY will be provided by COUNTY to CITY no later than 30 days prior to the services being performed."*
- Article VI - *"COUNTY will provide election day Team Leaders and Assistant Team Leaders (as needed) at no additional personnel cost to CITY, unless COUNTY notifies CITY by November 15 that COUNTY can no longer provide this service. If COUNTY so notifies CITY, a separate agreement to provide Team Leaders and Assistant Team Leaders for the Municipal Elections will be negotiated…"*

The estimated cost notification requirements are currently an informal process between the Election Department and each of the cities. Formal written notification is not being provided, although the municipalities are made aware of estimated costs through spreadsheets and discussion with County Election personnel. We believe all expenses in conducting the election should be included in billings, so the clause providing Team Leaders and Assistant Team Leaders at no charge should be removed.

AUDITOR'S RECOMMENDATION

1. Amend the City of Las Vegas Interlocal to remove the requirements for provision of Team Leaders and Assistant Team Leaders at no charge, and written notification of estimated costs.
2. Alternatively, the County should provide the City of Las Vegas the documentation required by the Interlocal.

POTENTIAL FISCAL IMPACT

Implementing this recommendation would allow billing for County provided Team Leader and Assistant Team Leader costs to the City of Las Vegas, resulting in Election Department revenue of approximately $86,000 for a primary election and $68,000 for a subsequent general election, which represents the amount currently subsidized by the County.

MANAGEMENT RESPONSE

It certainly stands to reason that the municipalities should be paying for the full cost of the optimum service we provide by putting full time County employees to work at the polls. This provides a level of accountability at our polling sites which is second to none. We agree with the assessment and will work to implement the recommended corrective actions.

FINDING 5 – REFUND NON-BILLABLE CHARGES (LOW)

According to Article VI of the City of Las Vegas Interlocal agreement, the *"COUNTY will provide election day Team Leaders and Assistant Team Leaders (as needed) at no additional personnel cost to CITY, unless COUNTY notifies CITY by November 15 that COUNTY can no longer provide this service. If COUNTY so notifies CITY, a separate agreement to provide Team Leaders and Assistant Team Leaders for the Municipal Elections will be negotiated…"*. We found the Election Department is billing $130 per day for these services. This amounted to an overbilling of $19,500 for the April 7, 2015 election.

AUDITOR'S RECOMMENDATION

1. Refund the amount paid for Team Leader and Assistant Team Leader services by the City of Las Vegas for the April 2015 election.

POTENTIAL FISCAL IMPACT

Implementing this recommendation will result in a refund back to the City of Las Vegas of $19,500 representing Team Leader and Assistant Team Leader costs charged for the April 7, 2015 Municipal Primary Election. This will lower Clark County Election Services Revenue by $19,500.

MANAGEMENT RESPONSE

If the recommendations in this report are not adopted we will, at a minimum, be amending the current inter-local agreement with the City of Las Vegas to include the language amended into the agreement in 2005 authorizing the minimum charge for team leaders ($130 per team leader). When we recently amended the inter-local to include the absentee ballot processing by our department the old language was inadvertently left in the agreement. We agree with the assessment and will work to implement the recommended corrective actions.