



MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jorge M. Gonzalez, City Manager
VIA: Kathie G. Brooks, Budget and Performance Improvement Director
FROM: James J. Sutter, Internal Auditor

DATE: July 12, 2010
AUDIT: Miami-Dade Elections Department Invoice Review
PERIOD: October 26, 2009 through November 30, 2009

This audit is the result of the City Clerk's request to review the expenses relating to the Miami-Dade County Elections Department's \$188,138 invoice pertaining to the municipal elections held on November 3, 2009 and the \$154,967 invoice for the subsequent run-off election held two weeks later on November 17, 2009.

INTRODUCTION

The Miami-Dade County Elections Department (MDCED) conducts elections, registers voters, and maintains voter records and election results for Miami-Dade County and all of its municipalities. Miami-Dade Elections Department's main offices are currently located at 2700 N.W. 87th Avenue in Doral and are presently under the supervision of the County's Supervisor of Elections.

Early voting for Miami Beach constituents to elect a Mayor and three Commissioners was held at various locations throughout the City between October 26, 2009 and November 1, 2009 with the actual election held on November 3, 2009. For those races in which a candidate did not receive more than 50% of the votes, a run-off election was held on November 17, 2009 in accordance with City Code Section 2.01. The following illustration shows the amounts invoiced to the City for the last six regular and four run-off elections:

	Year	2005	2006	2007	2008	2008	2009
Regular Elections	Election Dates	11/15/05	11/07/06 (1)	11/06/07	1/29/08 (1)	8/26/08 (1)	11/03/09
	Amount Invoiced	\$ 88,879.00	\$ 5,962.00	\$ 95,679.67	\$2,964.00	\$2,892.00	\$188,138.00
Run-Off Elections	Election Dates	11/29/05	11/21/06	11/20/07	N/A	N/A	11/17/09
	Amount Invoiced	\$ 53,286.00	\$68,843.35	\$ 71,802.16	N/A	N/A	\$154,967.00
Totals	Amounts Invoiced	\$142,165.00	\$74,805.35	\$167,481.83	\$2,964.00	\$2,892.00	\$343,105.00

(1): City elections were held together with countywide elections. As a result, amounts invoiced to the City were materially less. Since it is a county election, most costs are paid by the county.

Amounts invoiced to the City have been historically affected by two major components. One is the increase in poll worker compensation along with inflationary factors affecting the cost of supplies, truck rentals, etc. The second component is the number of municipalities holding elections concurrently. According to the Miami-Dade Elections Department, there are costs incurred during elections held by multiple municipalities that can not be specifically identified to a particular municipality; therefore they are allocated among all municipalities using a weighted average method based on the number of registered voters for each municipality or in some cases, by number of

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polling places or precincts, as appropriate.

In addition to these cost incremental factors experienced historically, election costs incurred during the 2009 elections were materially impacted by the change from the electronic voting machines (Ivotronic / I-vote) to paper ballots and optical scanners. The new method, which complies with State requirements, directly impacted costs incurred for printing and ballot creation/tabulation, as well as related labor costs. Furthermore, increases in postage were influenced by the number of absentee ballots requested and an increase in postage made effective by the U.S. Postal Service on May 11, 2009. Other labor cost increases experienced, not related to the change in voting systems and historical cost incremental factors experienced, were due to allocations of employer payroll taxes and fringe benefits for seasonal employees, as well as overtime incurred from seasonal and regular staff as a result of an election recount during the 2009 general municipal elections.

In 2006 and 2008 the City of Miami Beach held special elections concurrently with countywide general elections. Costs invoiced for these elections as compared to city regular elections are as follows:

Election Dates	11/15/05	11/07/06 (1)	11/06/07	1/29/08 (1)	8/26/08 (1)	11/03/09
Amount Invoiced	\$ 88,879.00	\$ 5,962.00	\$ 95,679.67	\$ 2,964.00	\$ 2,892.00	\$ 188,138.00

(1): City elections were held together with countywide elections on these dates. As a result, amounts invoiced to the City were substantially less.

City elections held concurrently with countywide elections reflect a reduction of the costs incurred by the City. On average the City's costs have been estimated to be between \$87,816 and \$120,323 higher for elections not held concurrently with the countywide elections and very likely to continue to grow.

Similar analysis have been completed and proposed by District 6 County Commissioner, Rebecca Sosa (LTC 125-2008) and the MDCED, with all data reflecting substantial cost savings for municipal elections held during countywide elections. However, this is a policy decision to be determined by City Commission, based on the best interest for the City.

OVERALL OPINION

Overall, a significant improvement, when compared to previous years, was noted from the Miami-Dade Elections Department with respect to the availability of supporting documentation, schedules, and calculations of election costs invoiced to the City, as a result of municipal elections performed in the month of November, 2009. In addition, it is important to recognize the continued cooperation and prompt attention to our inquiries from the Miami-Dade Elections Department staff assisting throughout the course of our review.

However, despite the noticeable improvements in the overall documentation and support of invoiced amounts, Internal Audit, as in previous reviews, was not provided with sufficient basis and supporting documentation to reasonably substantiate overhead charges assessed representing five percent (5%) of total revised invoiced costs for a total amount of \$15,362 to the City. Internal Audit opines that since election costs incurred by the Miami-Dade Elections Department, as a result of non-countywide municipal elections, are passed through and therefore reimbursed by the participating municipalities, any additional amounts charged by the Miami Dade Elections Department based on a percentage of already reimbursed costs is unnecessary and without merit. Accordingly, we recommend that the City attempt to recover the amounts paid for these administrative charges. At the same time, we respectfully recommend for the Miami-Dade Elections Department to reconsider assessing administrative overhead charges as a percentage of

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reimbursed election costs.

Lastly, based on previous discussion with the Miami-Dade Elections Department, new revised invoices will be issued to reflect corrections to costs previously invoiced for truck rental. Not considering any changes that could result from our findings with respect to the administrative overhead charges, newly revised invoice amounts should total \$322,602 overall (\$180,530 for the November 3 elections and \$142,072 for the November 17 elections during 2009).

Collectively and consequential from the review, costs incurred by the City from the November 3, 2009 elections and the November 17, 2009 run-off elections experienced an overall reduction of \$20,503. The following tables help to illustrate the overall cost reduction experienced per invoice:

November 3, 2009 Elections

Invoice Line Description	Original Invoice Amount 02/23/10	Adj.	Invoice Amount 03/02/10 (1 st Revision)	Adj.	Final Invoice Amount (2 nd Revision)	Overall Invoice Cost Increase/ (Decrease)
Salary & Fringe Benefits	\$104,422		\$104,422		\$104,422	\$ 0
Polling Place Expenses	8,461		8,461		8,461	0
Trucks & Vehicles	6,262		6,262	\$898	7,160	898
Printing	26,296		26,296		26,296	0
Postage	3,819		3,819		3,819	0
Technical Support	21,775		21,775		21,775	0
Administrative Overhead	17,103	(\$8,551)	8,552	45	8,597	(8,506)
Total	\$188,138	(\$8,551)	\$179,587	\$943	\$180,530	(\$7,608)

November 17, 2009 Run-Off Elections

Invoice Line Description	Original Invoice Amount 02/23/10	Adj.	Invoice Amount 03/02/10 (1 st Revision)	Adj.	Final Invoice Amount (2 nd Revision)	Overall Invoice Cost Increase/ (Decrease)
Salary & Fringe Benefits	\$ 82,324		\$ 82,324		\$ 82,324	\$ 0
Polling Place Expenses	7,515		7,515		7,515	0
Trucks & Vehicles	11,978		11,978	(\$5,572)	6,406	(5,572)
Printing	25,399		25,399		25,399	0
Postage	3,363		3,363		3,363	0
Technical Support	10,300		10,300		10,300	0
Administrative Overhead	14,088	(\$7,044)	7,044	(279)	6,765	(7,323)
Total	\$154,967	(\$7,044)	\$147,923	(\$5,851)	\$142,072	(\$12,895)

Total Both Invoices	\$343,105	(\$15,595)	\$327,510	(\$4,908)	\$322,602	(\$20,503)
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PURPOSE

The purpose of this audit is to determine whether invoices for City held elections submitted by the County are supported by actual costs and allocations based on reasonable supported methods and documentation.

SCOPE

1. Verify that proper documentation is maintained to support invoiced amounts charged for municipal elections in 2009.
2. Confirm that the allocation methods are reasonable and accurately applied to the municipal units being charged.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding: *Insufficient information and support documentation was provided to substantiate amounts invoiced to the City for Administrative Overhead.*

Administrative Overhead have been historically billed, starting in 2006, at 20% of the total invoiced items. However, amounts initially invoiced to the City for the November 3, 2009 elections and the November 17, 2009 run-offs elections were lowered by the Miami-Dade Department of Elections from a historical 20% to 10% of the totals invoiced for each invoice line item. The following table helps to illustrate such administrative overhead charged on the November election invoices under our review:

Election	Invoice Subtotal	Administrative Overhead (10%)	Total Invoice
Municipal Election 11/03/09	\$171,035	\$17,103	\$188,138
Municipal Election Run-Off 11/17/09	\$140,879	\$14,088	\$154,967
Totals under both election dates	\$311,914	\$31,191	\$343,105

During our initial meeting with the Deputy Supervisor of Elections, Operations Division, on March 9, 2010, Internal Audit observed a discrepancy between totals invoiced to the City and totals reflected on the substantiating documents provided to Internal Audit for review. The difference represented a reduction of costs in the amount of \$8,551 for the November 3, 2009 elections and a cost reduction in the amount of \$7,044 for the November 17, 2009 Run-Offs; collectively a total cost reduction of \$15,595. Subsequent to our inquiry we were explained that the noted cost reduction was due to a decrease in the administrative overhead charged under each invoice from an initial 10% to a 5%. Subsequent to Internal Audit requests, new invoices were provided to be forwarded to the City Clerk Office for further reference.

Despite being more comfortable with lower percentages charged for administrative overhead, Internal Audit, as in previous years, inquired regarding the basis for assessing any percentage for administrative overhead. We also inquired whether any administrative or legislative guideline exists, to be consistently followed and to establish any specific rate.

In response, we were informed that there were no documented guidelines to be consistently followed. However, percentages charged, according to the Miami-Dade Elections Department, seemed reasonable to ensure that incurred costs that are extremely difficult to identify and measure were recovered by the Miami-Dade Elections Department.

Additional procedures conducted during invoice reviews for prior elections, which included further research of county ordinances and inquiries for standard invoicing practices of administrative overhead for municipal elections in Broward and Palm Beach counties, did not reflect any merits for the charge. None of the two counties inquired charge any administrative overhead to their respective municipalities when holding non-countywide municipal elections.

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Based on results from previous procedures and considering that all costs incurred by the Miami Dade Elections Department during non-countywide municipal elections are passed through and allocated to the participating municipalities, including any and all cost incremental, Internal Audit opines that any percentage assessed to each cost line item invoiced represents a fee levied on those costs that have already been passed through and allocated to the municipality; therefore without basis.

By passing through all costs incurred by the Miami-Dade Elections Department to the participating municipalities of the non-countywide elections, cost recovery is satisfied. Any percentage on top and beyond would likely represent a surplus.

Since no primary reference or supportive allocation has been provided to substantiate the merits of a percentage charge for administrative overhead, we recommend that the City attempt to challenge the amounts charged for these administrative charges.

- 2 Finding: *Allocation inconsistencies were observed that resulted in an overall truck rental overcharge and overhead cost in the amount of \$4,908 to the City.*

Upon review of supporting documents for truck rental charges invoiced to the City, Internal Audit observed minor inconsistencies in the allocations of the same that resulted in an overcharge to the City overall in the amount of \$4,908, including applicable administrative costs assessed. Subsequently, our findings were discussed with the Miami-Dade Elections Department. As a result, new revised invoices will be created and the over charged amount will be credited back to the corresponding invoice. Once the new revised invoices are received, then payment can be processed. No further action is necessary from the City with respect to this finding.

On May 5, 2010 the above invoices totaling \$322,602 were paid by the City reflecting the revised amounts. The final findings were presented to both Miami-Dade Elections Department and the City Clerk's Office on June 15, 2010. Both agencies expressed concurrence with the findings in this report.

JJS:FM
(Review performed by Fidel Miranda, Auditor)

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cc: Robert Parcher, City Clerk
Patricia Walker, Chief Financial Officer
Lester Sola, Supervisor of Elections
John E. Mendez, Deputy Supervisor of Elections, Operations