

AUDIT REPORT

An Audit of the Salt Lake County Clerk's Office Interlocal Election Agreements

JUNE 2024



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AUDITOR'S LETTER

June 2024

I am writing to present the findings of our recent audit of the Clerk's Office for the period from January 1, 2021, to December 31, 2022.

The Auditor's Office did not audit the election results or voter rolls. This audit was a limited scope financial audit of the Salt Lake County Clerk's Office interlocal election agreements with municipalities and special districts. Our objective was to provide reasonable assurance that the internal controls are adequate and effective related to the interlocal agreements and in compliance with applicable County policies, ordinances, and regulations.

Our audit revealed several areas requiring attention to ensure compliance with established standards. It highlighted a lack of written procedures and policies for calculating election costs, including allocating those costs among the municipalities. The lack of written procedures for calculating election costs prevented the auditors from fully verifying the accuracy and reasonableness of the calculated amounts. We recognize that staff turnover played a role in not having these written procedures and are encouraged that the Clerk has already implemented new procedures.

The lack of written standards and procedures also resulted in several inconsistencies and inaccuracies present in the election cost calculations. These issues indicate a need for more robust internal controls and stricter adherence to existing procedures to mitigate potential risks to operational effectiveness and fairness.

We are pleased the Clerk's Office reviewed and agreed to our findings and recommendations detailed in the attached audit report. Promptly addressing these issues will reduce the risk of the County subsidizing the election services for future interlocal election agreements.

This audit was authorized under Utah Code Title 17, Chapter 19a, "County Auditor", Part 2, "Powers and Duties." 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.

We appreciate the cooperation of all involved personnel during this audit. For further details, please refer to the enclosed detailed audit report. Should you require any further information or clarification, please do not hesitate to contact me at 385-468-7200.

A handwritten signature in black ink that reads "Chris Harding".

Chris Harding, CPA, CFE, CIA
Salt Lake County Auditor

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CLERK INTERLOCAL AGREEMENT AUDIT

JUNE 2024

Objectives

The audit objectives were to examine the Salt Lake County Clerk's Office service contract agreements with municipalities and special service districts to administer elections and provide reasonable assurance that contract payments were billed, collected, and accounted for accurately and completely, and comply with the interlocal agreement and County policies.

REPORT HIGHLIGHTS

Use of not-to-exceed clause resulted in municipalities being billed for less than the actual election costs.

Salt Lake County Countywide Policy 1060: Financial Goals and Policies, Part 4. Revenue Policies, Section 4.5 states, "The County shall establish all inter-local contracts for services at a level which reflects the full cost of providing the services. Full cost means all actual direct costs, plus overhead costs." The invoiced election amounts billed to the municipalities were insufficient to cover the actual accrued costs to the County Clerk's Office in 2021 due in part to the use of not-to-exceed clause in the interlocal agreement.

The Clerk's Office lacked election calculation procedures for either their cost accrual or allocation to municipalities.

Government Accountability Office (GAO) September 2014 Publication, "*Standards for Internal Control in the Federal Government*" Principle 10.03: **Design of Appropriate Types of Control Activities, Section: Appropriate documentation of transactions and internal control, states,** "Appropriate documentation of transactions and internal control Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained." The Clerk's Office lacked written procedures for calculating accrued election costs as well as allocating those costs to the participating municipalities and special districts.

There were inconsistent billing & cost allocations for the municipalities based on election type and voting method.

Salt Lake County Countywide Policy 1060: Financial Goals and Policies, Part 8.0 Internal Control Policy, Section 8.1 states "The County shall implement an internal control structure to ensure, on a reasonable basis, all valid financial transactions of the County are identified and recorded accurately and timely." Based on the County Clerk Office's available calculation data, the allocated costs to municipalities contained inaccuracies based on election type, voting method, contest number, and cost percentages.



Finding Risk Classifications

| Classification | Description |
|--|---|
| <p>1 – Low Risk Finding</p> | <p>Low risk findings may have an effect on providing reasonable assurance that the internal controls and financial records regarding election services and interlocal agreements are effective, accurate, or complete.</p> <p>Recommendations may or may not be given to address the issues identified in the final audit report. If recommendations are given, management should try to implement the recommendations within one year of the final audit report date if possible. Follow-up audits may or may not focus on the status of implementation.</p> |
| <p>2 – Moderate Risk Finding</p> | <p>Moderate risk findings may have an effect on whether there is reasonable assurance that the internal controls and financial records regarding election services and interlocal agreements are effective, accurate, or complete.</p> <p>Recommendations will be given to address the issues identified in the final audit report. Management should implement the recommendations within one year of the final audit report date if possible. Follow-up audits will focus on the status of implementation.</p> |
| <p>3 – Significant Risk Finding</p> | <p>Significant risk findings are a result of one or more findings that may have an effect on whether there is reasonable assurance the internal controls and financial records regarding election services and interlocal agreements are effective, accurate, or complete.</p> <p>Recommendations will include necessary corrective actions that address the significant risks identified in the final audit report. Management should implement the recommendations within six months of the final audit report date if possible. Follow-up audits will focus on the status of implementation.</p> |
| <p>4 – Critical Risk Finding</p> | <p>Critical risk findings are the result of one or more findings that would have an effect on whether there is reasonable assurance the internal controls and financial records regarding election services and interlocal agreements are effective, accurate, or complete</p> <p>Recommendations will include necessary corrective actions that address the critical risks identified in the final audit report. Management should implement the recommendations as soon as possible. Follow-up audits will focus on the status of implementation.</p> |

BACKGROUND

The Salt Lake County Auditor's Audit Services Division recently completed an audit of the Salt Lake County Clerk's Office Interlocal Agreements for administering elections for the period January 1, 2021 – December 31, 2022.

The Clerk's Office administers elections within Salt Lake County. This includes registering voters, conducting elections, and counting ballots. They also provide election services to other jurisdictions and municipalities within the County. While municipalities have the option to run their own municipal elections, most choose to enter an interlocal agreement with the County per Utah Code 20A-5-400.1. Both parties agree upon service terms, including the estimated cost, which is calculated by the Clerk's Office. The County Clerk's Office bills the municipalities for an allocated amount of the accrued costs following the completion of the election year cycle. Municipal elections were held in 2021, and two municipalities held special referendum elections in 2022.

Additionally, ranked-choice voting (RCV) was first introduced as an additional voting method to traditional voting in 2021. Traditional voting involves voters selecting one candidate, and the candidate with the most votes wins or moves forward to the next round of voting. Traditional voting includes a general election and a potential primary election based on the number of candidates. RCV allows voters to rank preferences and includes either only a general RCV election or a primary RCV election followed by a traditional general election.

OBJECTIVES AND SCOPE

The audit objectives were to examine the election interlocal agreements and provide reasonable assurance that:

- Service contract agreements with municipalities and special service districts were established with the Clerk's Office to administer elections.
- Contract payments were billed, collected, and accounted for accurately and completely, and complied with the terms of the interlocal agreements and County policies.

The scope of the audit was from January 1, 2021, to December 31, 2022.

AUDIT CRITERIA

Salt Lake County Countywide Policy 1060: Financial Goals and Policies, Part. 4.0 Revenue Policies, Section 4.5, states, “The County shall establish all inter-local contracts for services at a level which reflects the full cost of providing the services. Full cost means all actual direct costs, plus overhead costs.”

Part 8. Internal Control Policy, Section 8.3, states, “Adequate documents and records shall be designed and used to ensure the proper recording of events; the development of adequate safeguards over access to and use of assets and resources; and the use of independent checks on performance and on the proper valuation of recorded amounts.”

The Interlocal Cooperation Agreement between the [Municipality] and Salt Lake County on behalf of the County Clerk’s Election’s Division for Municipal Election, establishes a uniform and consistent application of the interlocal agreement between the County and involved parties. It establishes guidelines regarding the:

- Terms
- Scope of work
- Legal requirements
- Cost
- Governmental immunity
- Election records
- Service cancellation
- Legal compliance

Salt Lake County Countywide Policy 1062: Management of Public Funds, states, “basic internal controls require a clear segregation of duties between persons having custody of funds and/or performing cashiering duties, and those having access to and maintaining accounting records related to those public funds. Segregating these functions protects the employees involved and mitigates the risk of theft, embezzlement, or misuse of public funds through fraudulent record keeping. Supervisory oversight enforces the separation of duties, creates an atmosphere of employee accountability, and strengthens the control environment.”

Government Accountability Office (GAO) September 2014 Publication, “Standards for Internal Control in the Federal Government” Principle 10.03: Design of Appropriate Types of Control Activities, Section: Appropriate documentation of transactions and internal control, states, “Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in

either paper or electronic form. Documentation and records are properly managed and maintained.”

METHODOLOGY

We used several methodologies to gather and analyze information related to our audit objectives. The methodologies included but were not limited to:

- Interviewing key fiscal personnel to obtain information about election cost calculation process and the policies, procedures and workflow related to accrued cost allocations and general accounting practices.
- Examined interlocal contracts for terms, signatures, and stated cost estimates, including not-to-exceed amounts.
- Analyzed the design and implementation of internal controls regarding cost drivers and allocation to municipalities.
- Followed election payment process through final cost allocation, billing, payment receipt and financial reporting.
- Sampled accrued cost category amounts to agree to supporting documentation through accounting calculations to reported general ledger amounts.
- Compared cost calculations for consistent, reasonable, and documented accrual amounts.
- Confirmed election payments received timely and accounted for accurately.
- Reviewed election calculation documentation for procedural clarity and reasonable accounting for election elements such as voting methods, primary and general cost allocations, and allocation between different municipality types.

CONCLUSIONS

During the audit period, we found that the use of not-to-exceed clauses in the interlocal agreements resulted in the actual election costs not being billed to participating municipalities and special districts, which fails to comply with Salt Lake County Countywide Policy 1060: Financial Goals and Policies. Additionally, election calculations were tracked by management using a spreadsheet where input errors were found. The internal spreadsheet to record and calculate the estimated and actual election costs to be billed to municipalities and special districts retained formulas, calculations, and cost categories for determining estimated and actual costs. Knowledge of calculating election costs and historical practices of tracking election costs were verbally communicated to succeeding management. Written procedures for determining estimated and actual costs were not retained.

The absence of and/or inconsistencies in documentation related to billing, collection and accounting limited our ability to provide reasonable assurance that election costs were accurate and complete. For example, supporting source documentation for some cost categories was retained, but how the invoiced balance was allocated among the municipalities could not be reasonably determined. We found that election invoices contained only one line-item total of allocated election costs rather than a summary of the costs and formula for allocation, as required in the interlocal agreement.

As a result, there is a heightened risk of the County not collecting the full costs for providing election services to participating municipalities and special districts. There is also an increased risk of potential fraud, waste and abuse related to insufficient source documentation and inaccurate record retention. To mitigate these risks and improve overall operational effectiveness, it is crucial for the Clerk's Office management to implement written procedures for determining actual and estimated election costs, retain sufficient documentation, and bill for actual election costs to comply with countywide policies and interlocal agreements.

We want to acknowledge the Salt Lake County Clerk's Office transitioned to a new County Clerk and administrative team in 2023. Current management assisted to the best of their knowledge and understanding in gathering documents and providing responses to election procedures during the scope period of a prior administration and management. The staff turnover resulted in minimal documentation and knowledge of procedures during the period for our audit team to review. The current administration was responsive to questions and is working to implement a sustainable process with procedures in place to reduce such limitations in the future.

FINDING 1 AND RECOMMENDATIONS

Use of Not-to-Exceed Clause Resulted in Municipalities being Billed for Less than the Actual Election Costs

Risk Rating: **Critical Risk Finding**

The interlocal agreements between municipalities or special districts and the County during the audit period included a not-to-exceed (NTE) clause for those electing to participate in a County election. The clause stated that the city or district "...will be billed for actual costs, which will not exceed this estimate."

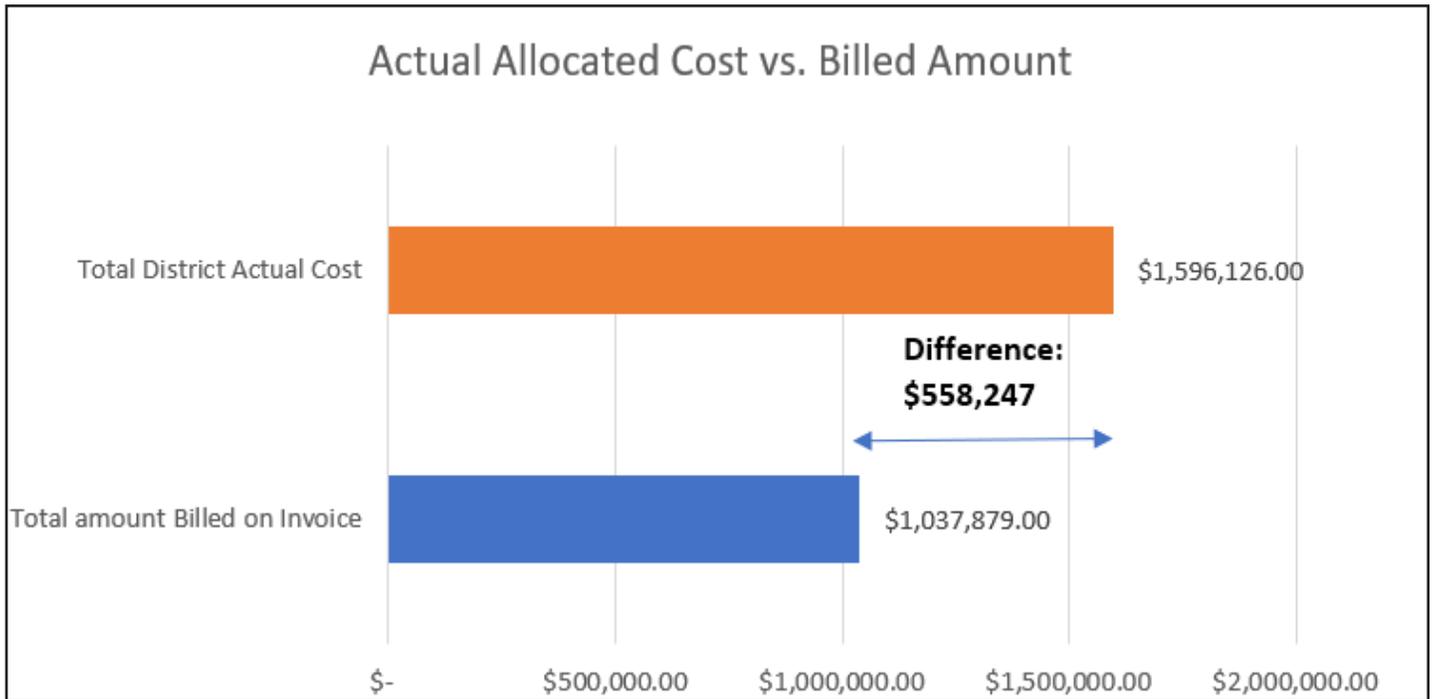
For municipalities, three estimated NTE values were provided in the contract based on election type. The election types were:

- Traditional voting
- General election only Rank Choice Voting (RCV)
- Primary and General election – RCV

Meanwhile, for special districts, there was one estimate provided in the agreement.

We reviewed the 27 municipalities in 2021 that elected to participate in the election and compared the actual cost to the amount billed per invoice. 18 out of 27 (67%) municipalities that participated in the 2021 County election had an amount billed that was lower than the actual election cost. The difference between the total actual election cost and total amount billed for election services was \$558,247, or 35% of the total actual cost. The reason for the billed amount being less than the actual cost was due to the use of the NTE clause in the interlocal agreements.

Figure 1: Comparison of Actual Election Costs to Billed Invoice Amount. *The difference between the total actual election cost and total amount billed for election services was \$558,247, or 35% of the total actual cost.*



Sources: Salt Lake County Clerk Office’s spreadsheet “21 Election Cost Estimate” and 2021 municipal election invoices.

In addition, when reviewing the primary and general election division among ranked-choice voting (RCV) and traditional voting, two municipal NTE amounts were less than the estimated allocated cost. One out of nine (11%) municipalities that participated in a RCV election, and one out of 14 (7%) municipalities under contract to participate in a traditional vote election, had a NTE amount entered on the election estimate spreadsheet that was lower than the estimated allocated amount for the municipality. The two municipalities and comparison of NTE and estimated allocated costs are in **Table 1**.

Table 1: Municipalities with NTE Less than Estimated Allocated Costs. *The two municipalities with an NTE less than the estimated allocated election costs.*

| Municipality | NTE Amount | Estimated allocated amount | Variance | NTE % of estimated allocated costs |
|--------------|------------|----------------------------|-----------|------------------------------------|
| Riverton | \$18,988 | \$19,320 | \$(322) | 98% |
| Bluffdale | \$48,357 | \$49,432 | \$(1,075) | 97% |

Sources: Salt Lake County Clerk Office’s spreadsheet “21 Election Cost Estimate”

Salt Lake County Countywide Policy 1060: Financial Goals and Policies, Part 4.0 Revenue Policies, Section 4.5. states:

“The County shall establish all inter-local contracts for services at a level which reflects the full cost of providing the services. Full cost means all actual direct costs, plus overhead costs.”

Management agreed that for the 18 municipalities, the NTE was lower than the actual costs allocated. They also agreed that NTE amounts for Riverton & Bluffdale were listed as lower than the estimated allocated amounts. However, they were uncertain about how the NTE amounts for billing were determined due to staff turnover and lack of written procedures.

It is important to note that in 2023, management updated the interlocal election contracts to include a good faith estimate of election costs rather than a not-to-exceed clause. The current administration stated management may then charge the municipalities and special districts the actual election costs, including if it exceeds the estimate amount from the contract.

The use of the Not-to-Exceed clause in election contracts heightened the risk of insufficient coverage for actual costs, resulting in the County covering costs. The absence of documented procedures increased uncertainty about the accuracy and knowledge of how NTE estimates were calculated and whether they adequately covered actual election costs.

1.1

RECOMMENDATION

Bill Actual Costs

We recommend management bill municipalities or special districts based on the calculated actual election cost amounts for each municipality to comply with Countywide Policy 1060 "Financial Goals and Policies."

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: COMPLETED

SEE PAGE 56 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

1.2

RECOMMENDATION

Exclude NTE Clause

We recommend management exclude the not-to-exceed clause for election cost estimate amounts and instead add a clause that actual costs will be billed in the interlocal agreements. If a good faith estimate remains in the interlocal agreements, management should retain documentation supporting the estimate's calculations and included costs.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: COMPLETED

SEE PAGE 57 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 2 AND RECOMMENDATIONS

Absence of Written Policies and Procedures for Allocating Election Costs Among Municipalities

Risk Rating: **Significant Risk Finding**

Election cost calculations and procedures were historically passed down verbally through management based on knowledge and prior practice. The Clerk's Office is responsible for maintaining and demonstrating their election cost calculations per interlocal agreement.

The prior administration did not maintain written policies and procedures for the following:

1. **Election Cost Tracking:** Processes for tracking both estimated and actual election costs, including overhead expenses, were not documented.
2. **Allocation of Costs to Municipalities:** There were no written guidelines for determining how election costs were divided among participating municipalities.
3. **Cost Breakdown by Election Type:** Written procedures were not in place to differentiate costs between various election types (e.g., primary vs. general elections) or voting methods (e.g., traditional vs. rank-choice).
4. **Cost Estimate Limits:** There were no documented practices for calculating "not-to-exceed" estimates for election costs.

Management provided the internal election spreadsheets detailing actual and estimated election costs, formulas, and allocations among municipalities, special districts, as well as the division of costs between primary and general elections. However, the details of how these election cost formulas were determined, including the use of weighted factors, and input sources were not available. The methodology for dividing election costs among the municipalities or dividing up the costs of the primary and general elections to the municipalities was not documented. This includes dividing up the estimated and actual costs of the traditional primary and general elections as well as the ranked-choice voting elections among municipalities. Without procedures to identify what cost categories to include when calculating actual and estimated costs and how to allocate among municipalities and primary and general elections, we could not reasonably recalculate costs and ensure that

what was recorded in the spreadsheet was accurate and complete.

We requested the prior municipal election's calculation spreadsheet from 2019 to determine if the estimated costs for 2021 were reasonably adjusted from the prior election. However, that documentation was not retained. Without sufficient document retention, it prevented us from being able to provide reasonable assurance that the estimated and actual election costs or NTE calculations included in the interlocal agreements were reasonably adjusted from the prior election and not carried forward.

Salt Lake County Countywide Policy 1060: Financial Goals and Policies, Part 8. Internal Control Policy, Section 8.3 states:

"Adequate documents and records shall be designed and used to ensure the proper recording of events..."

Government Accountability Office (GAO) September 2014 Publication, "Standards for Internal Control in the Federal Government" Principle 10.03: Design of Appropriate Types of Control Activities, Section: Appropriate documentation of transactions and internal control, states:

"Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained."

Management acknowledged there were no written procedures for calculating election costs or allocating the election costs among the municipalities, including estimations or final cost calculations. Management also stated that election cost calculations would have been discussed in meetings; however, documentation of the review was not available.

Without documented procedures, we are unable to verify the accuracy and completeness of election cost calculations for municipalities. The lack of written procedures can also result in insufficient knowledge about how the calculations are determined and applied when employee turnover occurs. There is also an increased risk of under or overcharging municipalities, as well as fraud, waste, and abuse if calculations cannot be reperformed or supported with sufficient source documentation.

We recommend that management develop written procedures that address the following, but are not limited to:

1. How election costs are calculated for both estimates and actual election costs
2. How allocations toward each municipality/special district are made
3. Reference input methods and governing policies
4. Methodology used to calculate estimated amounts on contracts.
5. Estimating and Allocating RCV-related costs
6. Address the processes and/or calculations used to determine the formulas and factors used when calculating estimated and actual costs. The use of factors shall be documented with reason or rationale for their usage.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE : 12/31/2024

SEE PAGE 58 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that management develop a plan for knowledge transfer and succession planning to mitigate the impact of staff turnover on election cost calculations. Ensure that key personnel responsible for recording and calculating election costs receive adequate training, and regularly update and maintain documentation of procedures to reflect current practices.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: 12/31/2024

SEE PAGE 59 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 3 AND RECOMMENDATIONS

Inconsistencies Found Between the Estimate and Actual Election Cost Formulas for Municipalities

Risk Rating: **Significant Risk Finding**

In the first quarter of the election year, the Clerk's management team met with representatives from municipalities and special districts to discuss their intention of participating in the election. Management provided the municipalities and special districts with a Not-to-Exceed (NTE) amount of election costs. Municipalities and special districts interested in participating in the election then signed interlocal agreements during the first quarter of the election year. However, not all municipalities or special districts that sign the interlocal agreement will end up participating in the election administered by the County Clerk.

Estimated Election Cost Allocations:

The election costs estimates were calculated based on the intention of a municipality or special district participating in municipal elections run by the Salt Lake County Clerk's office.

The total estimated costs for all municipal elections for 2021 were divided among the municipalities based on the following participation factors:

1. Number of contests
2. Number of registered voters
3. Type of municipality
4. Voting method: Traditional or Ranked-Choice-Voting
 - a. RCV included an additional added cost, as well as the option of holding a primary and general election or only a general election.

The Clerk's Office calculated a total estimated cost of \$1,687,781 for the 2021 elections. The individual municipalities' estimates for each election type and voting method were listed on the interlocal agreement. For all 14 municipalities reviewed in 2021 that participated in traditional voting elections, the municipalities' potential participation in the primary election was not included as a cost driver for the estimated cost. The traditional primary election as a cost estimate driver was not included both in the Clerk's election cost calculation spreadsheet nor as a specific line-item cost on the 2021 signed interlocal agreement with municipalities.

Actual Election Cost Allocations:

Conversely, the actual election cost allocations for final billing were divided by the two cost groups: primary and general.

In 2021, the primary's accrued election cost of \$448,825 was allocated among the five participating municipalities: Herriman, Murray, Taylorsville, West Jordan, and West Valley.

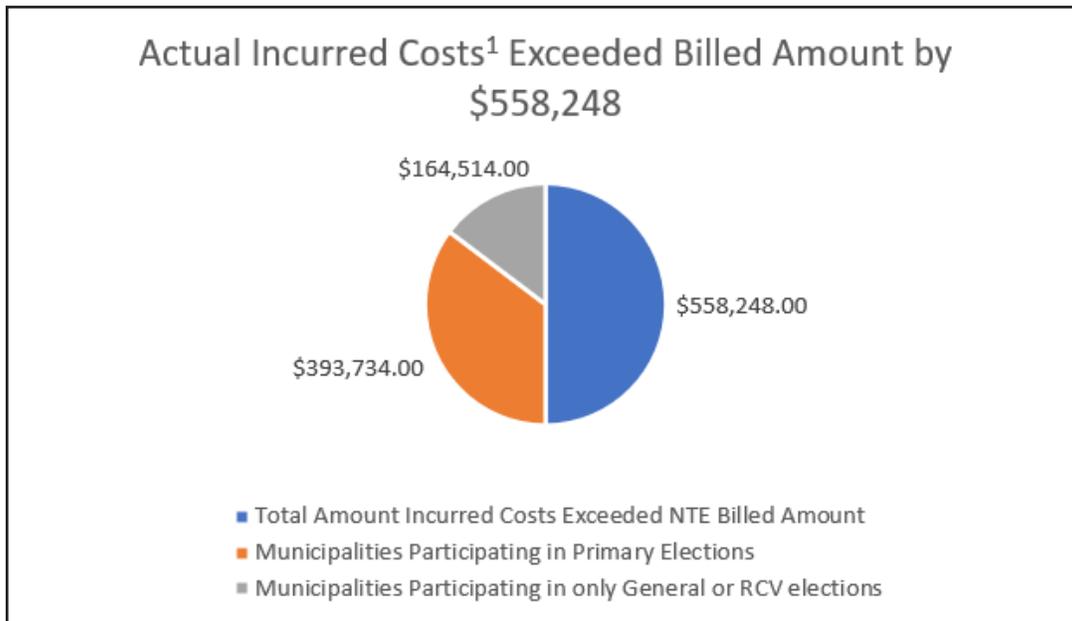
The primary election cost pool was formed by allocating funds specifically for primary costs from the total accrued election expenses.

When we reviewed the total amount billed (NTE) to the total allocated amounts to the municipalities that participated in a primary election in 2021, there was a \$393,734 difference between the balances. This was attributed to the five municipalities that participated in primary elections. The \$393,734 comprised 70% of the overall difference of \$558,248 between NTE amounts and allocated amounts for all municipalities (see **Figure 2**, below), as identified in Finding 1. Refer to Appendix A, **Table A.1** for a breakdown of the five municipalities cost comparisons.

Secondly, the general election's actual cost of \$1,130,917, was allocated among all 27 participating municipalities. The municipalities included the five that participated in the primary election and the remaining 22 municipalities participating in either traditional or RCV election voting types for the general.

The contrasting calculation methods applied to all participating 27 municipal cost estimates: the five municipalities that participated in primary elections, and the remaining 22 municipalities that participated in either a general or RCV election. This is illustrated in Appendix A, **Figure A.1**

Figure 2: Breakdown analysis of the \$558,248 variance between total incurred election cost and total billed amount to municipality by election participation type.



Source: Salt Lake County Clerk Office's spreadsheet "21 Election Cost Estimate"

¹ Total actual incurred costs calculated by management following completion of election for all elections-related expenses.

Salt Lake County Countywide Policy 1060: Financial Goals and Policies, Part 4.0 Revenue Policies, Section 4.5 states:

"The County shall establish all inter-local contracts for services at a level which reflects the full cost of providing the services. Full cost means all actual direct costs, plus overhead costs."

Management agreed that the estimates do not divide between primary and general costs, and that the allocated actual costs are divided among municipalities based on participation in primary and/or traditional elections. Additionally, Management agreed that primary election costs were not a separate cost driver but were instead included in the general election estimate totals.

We acknowledge and understand Management's use of different calculation methods due to uncertainty in whether municipalities would participate in primary elections at the time the estimates were made. However, the omission of the primary election as a cost estimate driver increases the variability and decreases the reliability of the cost estimates management provides to municipalities.

We recommend that management use one uniform methodology for calculating both estimates and actual allocated costs to municipalities.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE : 1/31/2025

SEE PAGE 59 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that management include primary election participation as a specific cost driver when estimating municipal traditional election costs.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: 1/31/2025

SEE PAGE 60 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 4 AND RECOMMENDATIONS

Inconsistencies in Municipal Election Actual Cost Allocations and Calculation Input Errors

Risk Rating: **Significant Risk Finding**

Our review of the election cost allocations spreadsheet maintained by Clerk's Office management identified inconsistencies or input errors in three areas:

1. Primary Election Actual Cost Allocation
2. RCV Election Actual Cost Allocation
3. Inaccurate Contest Factors

Primary Election Cost Allocation

Calculating Election Costs for Municipalities

Following the completion of the election, the cost of elections is allocated to municipalities and special districts based on their participation in the primary or general election using a formula that considers several participation factors. Participation factors include the number of contests or "contest factor" each municipality or special district participated in and the number of registered voters each election contest represents. A contest is the type of race held within a municipality or special district, such as a Mayoral, Council or District race.

A base value of 1.0 is assigned for one contest. For municipalities or special districts participating in additional contests on the same day, a value of 0.05 is added for each additional contest. This contest factor is then used in conjunction with the number of registered voters, voting method, and election type to calculate a municipality's or special district's share of total election costs.

Primary Election Cost Allocations did not Match Municipal Primary Election Participation

We reviewed the Clerk's Election Results website to identify the number of primary races held by each municipality to calculate the contest factor. We compared our recalculated contest factors to the contest factors retained on the Clerk's election cost calculation spreadsheet. Four out of five (80%) municipalities that participated in the primary election were allocated costs based on all races being held for the municipality, which used the total number of combined registered voters and contest factors, instead of the actual number of primary races and corresponding voter

totals held by the municipality.

For example, the allocated primary election costs for Taylorsville included three city council elections and a mayoral election, shown in **Table 2**. The total number of registered voters and contest factors for the entire municipality was used to allocate primary costs. However, only one district, Taylorsville City Council District 5, participated in the 2021 primary election. A more accurate calculation method for allocating primary costs would be to use only the actual number of races and corresponding registered voters for Taylorsville Council District 5 as the cost drivers for allocating primary costs to Taylorsville.

Table 2: Comparison of Clerk Primary Allocated Contests Calculations versus Auditor Allocated Contests. *This comparison highlights the discrepancies in allocation between the Clerk’s Election Cost spreadsheet and the Clerk’s Election Results Website for each municipality.*

| | Contests Allocated on Cost Calculation spreadsheet | Auditor Allocation of Contests |
|---------------------|--|-------------------------------------|
| Herriman | Herriman Council District 2 | Herriman Mayor |
| | Herriman Council District 3 | |
| | Herriman Mayor | |
| Murray | Murray Council District 2 | Murray Mayor |
| | Murray Council District 4 | |
| | Murray Mayor | |
| Taylorsville | Taylorsville Council District 3 | Taylorsville Council District 5 |
| | Taylorsville Council District 4 | |
| | Taylorsville Council District 5 | |
| | Taylorsville Mayor | |
| West Valley | West Valley City Council District 2 | West Valley City Council District 2 |
| | West Valley City Council District 4 | West Valley City Mayor |
| | West Valley City Council District At-Large | |
| | West Valley City Mayor | |

Sources: Salt Lake County Clerk Office’s spreadsheet “21 Election Cost Estimate” and County Clerk Election Results website for 2021.

RCV Election Cost Allocation

RCV election cost allocations did not match municipal election participation in RCV elections

Similarly, we found that for five out of nine (55%) municipalities that participated in RCV elections, the cost allocation entered on the cost calculation spreadsheet did not agree to the specific RCV election contests held by the municipalities, as shown in **Table 3**. The RCV election cost was allocated based on the number of registered voters and contest factor for one or two contests, rather than for the specific RCV

election contests held by the municipality.

Table 3: Comparison of Clerk Allocated RCV Contests Calculations versus Auditor Allocated RCV Contests. This comparison highlights the discrepancies in allocation between the Clerk’s Election Cost spreadsheet and the Clerk’s Election Results Website for each municipality.

| | RCV Contests Allocated on Cost Calculation spreadsheet | Auditor Allocation of RCV Contests |
|---------------------------|---|---|
| Bluffdale | Bluffdale Mayor | Bluffdale Council At-Large (2) |
| Cottonwood Heights | Cottonwood Heights Mayor | Cottonwood Heights Council District 3 |
| | | Cottonwood Heights Council District 4 |
| | | Cottonwood Heights Mayor |
| Draper | Draper Mayor | Draper Council At-Large (2) |
| Magna Metro | Magna Metro Township Council District 2 | Magna Metro Township Council District 2 |
| | Magna Metro Township Council District 4 | |
| Sandy | Sandy Mayor | Sandy Council At-Large |
| | | Sandy Council District 1 |
| | | Sandy Council District 3 |
| | | Sandy Mayor |

Sources: Salt Lake County Clerk Office’s spreadsheet “21 Election Cost Estimate” and County Clerk Election Results website for 2021.

Inaccurate Contest Factors

One of 27 (3.7%) billed municipalities had the wrong number of contests entered in the 2021 calculation spreadsheet when compared to the number of contests reported to the Salt Lake County Clerk’s website. Bluffdale’s number of contests calculated were three Council-At-Large, while the reported election results were two Council-At-Large contests. This input error in the contest number caused a difference in contest factor of .15 versus .10.

Salt Lake County Countywide Policy 1060: Financial Goals and Policies, Part 4.0 Revenue Policies, Section 4.5 states:

“The County shall establish all inter-local contracts for services at a level which reflects the full cost of providing the services. Full cost means all actual direct costs, plus overhead costs.”

Management confirmed that the calculation inconsistencies were due to formula and manual error. Management stated that due to employee turnover, they were unsure how the not-to-exceed amounts used to determine billing were chosen. They also confirmed the NTE should match the voting method and election type chosen by the municipality. Those that had chosen more than one type of voting should have been charged per contest and a mixture of the NTEs for the specific voting type should have been used. Management was unable to provide

election cost estimate procedures or previous municipal election estimates due to employee turnover and lack of retention.

Using and retaining the incorrect contest factors, election types, voting methods, and registered voter amounts leads to inaccurate and inconsistent election cost allocations, including either over or under billing municipalities for their election participation. The overall effect reduces public and municipal trust of the county process for fair election cost allocation methods.

4.1

RECOMMENDATION

Primary election allocation

We recommend management match the primary election actual costs allocated to each municipality based on the municipalities' participation in specific primary contests.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: PRIOR TO INVOICING MUNICIPALITIES AND SERVICE DISTRICTS FOR THE 2025 MUNICIPAL ELECTION

SEE PAGE 61 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

4.2

RECOMMENDATION

RCV election allocation

We recommend management match the RCV election costs allocated to each municipality based on the municipalities' participation in specific RCV contests.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: PRIOR TO INVOICING MUNICIPALITIES AND SERVICE DISTRICTS FOR THE 2025 MUNICIPAL ELECTION

SEE PAGE 61 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

4.3

RECOMMENDATION

Management Review

We recommend management assign a designee, other than the Fiscal Manager, to review and match all allocation amounts to each municipality's actual election participation.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: COMPLETED

SEE PAGE 62 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

4.4

RECOMMENDATION

Develop Written Procedures

We recommend that management develop and implement procedures for allocating election costs to municipalities. These procedures should include guidelines for determining contest factors, registered voter amounts, voting methods, and election types, and ensure alignment with actual election participation.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: 1/31/2025

SEE PAGE 62 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 5 AND RECOMMENDATIONS

Factors Used for Calculating Special Districts Estimated Costs Did Not Have Supporting Documentation

Risk Rating: **Significant Risk Finding**

Similar to municipalities, management calculated estimates for special districts based on their intention of participating in municipal elections run by the Salt Lake County Clerk's Office. For 2021, 15 special districts intended on participating in the election.

The estimates were determined by first calculating the total election cost for all special districts and municipalities, then dividing the total election cost among all the special districts and municipalities who intended to have an election based on the number of contests and registered voters. The total allocated costs for special districts were then adjusted further by multiplying it by a factor of 0.75. One of those 15 districts, Alta, had a factor of .8 applied.

Written procedures for estimating election costs were lacking, resulting in no documentation to support the use of the two factors, .75 and .8, in the estimated calculations or how these factors were determined.

Salt Lake County Countywide Policy 1060: Financial Goals and Policies, Part 8.0 Internal Control Policy, Section 8.3 states:

"Adequate documents and records shall be designed and used to ensure the proper recording of events; the development of adequate safeguards over access to and use of assets and resources; and the use of independent checks on performance and on the proper valuation of recorded amounts."

Management explained that these factors were used to reduce the estimates due to special districts having a lower cost than the rest of the municipalities. However, the rationale for determining the specific factors of .75 and .8 was unknown by management due to staff turnover and a lack of documentation.

The lack of documented procedures or rationale for how these factors were determined increases the risk of misunderstanding and misapplication of calculations when staff turnover occurs. It also can lead to uncertainty that the factors applied are reasonable based on support to show how the factor was determined.

We recommend that management document the rationale used to determine the formulas and factors used when calculating estimated and actual costs for special districts.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: PRIOR TO INVOICING MUNICIPALITIES AND SERVICE DISTRICTS FOR THE 2025 MUNICIPAL ELECTION

SEE PAGE 63 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 6 AND RECOMMENDATIONS

Special Districts Were Not Billed Actual Costs for 2021 General Election

Risk Rating: **Significant Risk Finding**

The Clerk's Office calculated special districts' total estimated and actual election costs in the same manner as municipalities. The total estimated cost was divided among the special districts that intended on participating. Each special district's estimate was multiplied by the additional factor of .75 and .8, identified in Finding 5. After the estimated costs were calculated, NTE amounts were then calculated using an undocumented method or formula.

Meanwhile, the total actual costs were divided evenly among the participating special districts. Actual costs were allocated between the primary and general election. The factors of .75 and .8 were not included. Costs were allocated among the six participating special districts rather than the 15 intending on participating. Actual costs allocated to the special districts were higher than the NTE amounts billed in four out of six (66%) special districts by \$35,059.

Salt Lake County Countywide Policy 1060: Financial Goals and Policies, Part 4.0 Revenue Policies, Section 4.5 states:

"The County shall establish all inter-local contracts for services at a level which reflects the full cost of providing the services. Full cost means all actual direct costs, plus overhead costs."

Management explained that the .75 and .8 factors were used to reduce the estimates due to special districts having a lower cost than the rest of the municipalities. However, the rationale for determining the specific factors and NTE calculation methods were unknown by management due to staff turnover and a lack of documentation.

We acknowledge it is challenging to predict whether a special district will ultimately participate in an election until closer to the election date. However, by estimating costs based on all 15 special districts when only six participated, it lowered the NTE amounts and increased the total actual cost allocated to all election participants. The combination of lowering the NTE amount using a lowering factor when calculating the estimates for special districts and then dividing the actual costs among fewer entities resulted in the actual costs being higher per entity. Additionally, the use of the not-to-exceed (NTE) clause in the contract, which was based on the special district's estimated cost, resulted in the total actual costs not being billed to the special district.

Using different methods to calculate the allocation of total costs to municipalities can lead to costs not reflecting the full election costs. Lack of documentation for using the specific calculation methods results in uncertainty of whether the factor is reasonable or accurate.

| | | |
|-----|----------------|---------------------------|
| 6.1 | RECOMMENDATION | Uniform Allocation Method |
|-----|----------------|---------------------------|

We recommend management use one uniform cost allocation method for calculating estimates and actual allocated costs to special districts.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: 12/31/2024

SEE PAGE 63 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

| | | |
|-----|----------------|----------------------------|
| 6.2 | RECOMMENDATION | Develop Written Procedures |
|-----|----------------|----------------------------|

We recommend that management develop and implement documented procedures outlining the steps and formulas used to determine NTE amounts and allocate actual costs among participating special districts.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: COMPLETED

SEE PAGE 64 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 7 AND RECOMMENDATIONS

Insufficient Source Documentation for Sampled Election Costs in 2021 and 2022

Risk Rating: **Significant Risk Finding**

Actual election costs for 2021 and 2022 were recorded and calculated in separate spreadsheets. There were 63 cost categories identified for calculating the 2021 actual election costs. We judgmentally sampled 14 out of 63 cost categories to determine whether the amounts entered agreed to source documentation. Categories were selected based on being among the largest dollar amounts.

The 14 cost categories represented 75% of the total accrued election cost amount. Six out of 14 (43%) cost categories could not be recalculated by the auditors due to insufficient source documentation. These cost categories were titled: Vote Center Workers, Phones, Vote-By-Mail Return Postage, Election Management Center (EMC) Staff, Internet Data Card, and Vote-By-Mail Postage.

For 2022, there were two referendum elections held, one for the City of Bluffdale and another for Salt Lake City. It was estimated that Bluffdale's referendum election would cost \$6,149 and Salt Lake City's would cost \$24,735. These estimated costs were also the billed amount in 2022. We were unable to recalculate the costs or agree to source documentation or written procedures on how the balances were determined.

Salt Lake County Countywide Policy 1060: Financial Goals and Policies, Part 4.0 Revenue Policies, Section 4.5 states:

"The County shall establish all inter-local contracts for services at a level which reflects the full cost of providing the services. Full cost means all actual direct costs, plus overhead costs."

Part 8.0 Internal Control Policy, Section 8.3 states,

"Adequate documents and records shall be designed and used to ensure the proper recording of events; the development of adequate safeguards over access to and use of assets and resources; and the use of independent checks on performance and on the proper valuation of recorded amounts."

Management agreed that the estimates and actual costs sampled were not able to be reperformed due to missing documentation, procedures, and staff turnover. Additionally, they do not retain specific usage information to support cost categorization amounts. For example,

invoices for phone-related charges or postage are paid in bulk based on usage. The lack of supporting documentation was due to staff turnover and lack of procedures for prior practices.

The lack of source documentation increases the risk of insufficient internal controls for ensuring the accuracy and completeness of financial records, and increases the likelihood of fraud, waste and abuse due to the inability for balances to be agreed to supporting source documentation.

7.1

RECOMMENDATION

Develop Written Procedures

We recommend management develop and implement documented procedures detailing the process for how incurred election cost estimates and final amounts are calculated.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: 1/31/2025

SEE PAGE 64 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

7.2

RECOMMENDATION

Document Retention

We recommend that management develop and implement documented retention procedures and policies for cost calculations and source documentation to ensure business continuity and accounting transparency in their accrued cost amounts.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: COMPLETED

SEE PAGE 65 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 8 AND RECOMMENDATIONS

Absence of Written Procedures for Calculating and Allocating Actual costs between Primary and General Elections

Risk Rating: **Significant Risk Finding**

Of the 14 cost categories sampled in 2021 to review total accrued election costs, eight (57%) were reviewed to determine whether the balances entered could be reasonably recalculated within five percent. Three of the eight (38%) samples had source documentation, but we were unable to reperform a recalculation of the allocation amounts of accrued actual costs between primary and general elections.

While we could identify the costs for these categories in invoices, contracts, and journal entries, the source documents provided a lump sum amount rather than the allocated amounts. Without documented procedures detailing how the final calculations were made to determine the allocated costs between the primary and general election, we were unable to recalculate the amounts accurately.

Salt Lake County Countywide Policy 1060 Financial Goals and Policies, Part 4.0 Revenue Policies, Section 4.5 states:

“The County shall establish all inter-local contracts for services at a level which reflects the full cost of providing the services. Full cost means all actual direct costs, plus overhead costs.”

Part 8.0 Internal Control Policy, Section 8.3 states,

“Adequate documents and records shall be designed and used to ensure the proper recording of events; the development of adequate safeguards over access to and use of assets and resources; and the use of independent checks on performance and on the proper valuation of recorded amounts.”

Management agreed that the noted incurred costs were not able to be recalculated or reallocated between primary and general elections due to missing procedures, and staff turnover. Management stated the lack of supporting documentation was due to staff turnover and lack of procedures for prior practices.

Due to being unable to recalculate cost calculations, there is an increased risk of inaccurate payment calculations for the municipalities, as well as the County not accurately allocating costs. This places a reputational risk on the County of not having sufficient information to support election costs and increases the likelihood of fraud, waste, and abuse.

We recommend management develop and implement documented procedures detailing the process for how incurred election cost estimates and final amounts are allocated between primary and general elections.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: 1/31/2025

SEE PAGE 66 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 9 AND RECOMMENDATIONS

Municipalities were billed NTE amounts that did not agree to the Contract's Election voting type NTE amount

Risk Rating: **Significant Risk Finding**

All interlocal agreements provided to municipalities identified the three election voting types and a corresponding NTE estimate. The NTE amounts varied based on the election voting type chosen by the municipality.

We reviewed both 2021 and 2022 and compared the voting type of the NTE used to determine the amount billed to municipalities to their voting type published on the Salt Lake County Clerk's election website. We identified the following discrepancies:

- Six out of 29 (21%) municipalities were billed based on NTE amounts that differed from their chosen voting type.
- Five of the six were billed based on the NTE voting type of a RCV general, while the type of voting performed was a combination of an RCV general and traditional general, or only a traditional - general.
- One of the six (Magna) were billed based on the NTE election voting type of traditional used for billing while the type of voting performed was combination of RCV general and traditional general.

Table 4: Comparison of Contracted NTE Amount used for billing from the Contract and the type of voting used on the Clerk’s website. *This comparison highlights the difference between the NTE used when determining what to bill the municipality and what voting type was used by the 6 municipalities according to the Clerk’s website.*

| Municipality | Per Clerk’s retained documentation | | Auditor Review | | |
|-------------------------|---|---|---|-------------|--|
| | NTE \$ amount entered on ‘21 Estimate Spreadsheet’ & used for invoices* | Election Voting Type Correlated with NTE \$ from Contract | Type of Election Voting performed (Website) | Invoice | Additional Auditor Details |
| City Of Bluffdale | \$11,494 | RCV General | RCV General and Traditional General | \$12,090 | Unable to determine invoice \$ amount due to combo of RCV and Traditional |
| City Of Draper | \$36,269 | RCV General | RCV General and Traditional General | \$38,150.00 | Unable to determine invoice \$ amount due to combo of RCV and Traditional |
| Magna Metro Township | \$ 8,647 | Traditional | RCV General and Traditional General | \$7,855.00 | Actual cost was lower than NTE; actual billed. |
| City Of Midvale | \$19,309 | RCV General | RCV General and Traditional General | \$20,389.00 | Unable to determine invoice \$ amount due to combo of RCV and Traditional |
| City Of Riverton | \$30,396 | RCV General | Traditional General | \$30,396.00 | The Traditional General NTE was a higher \$ amount (\$48,357) than RCV General NTE |
| City Of South Salt Lake | \$12,994 | RCV General | RCV General and Traditional General | \$13,689.00 | Unable to determine invoice \$ amount due to combo of RCV and Traditional |

*Invoice amount may have additional percentage cost related to RCV, based on participation factors.

Sources: Salt Lake County Clerk Office’s spreadsheet “21 Election Cost Estimate” and County Clerk Election Results website.

Five of the six municipalities held multiple contests with different voting types. For example, the city of South Salt Lake had four contests: one contest for Mayor and three for Council-at-Large. According to the Salt Lake County Clerk's election results website, the Mayoral election was done using ranked-choice voting and the three Council-at-Large elections used traditional general election voting. South Salt Lake was billed based on one NTE amount for RCV general for all four contests.

Salt Lake County Countywide Policy 1060: Financial Goals and Policies, Part 4.0 Revenue Policies, Section 4.5 states:

"The County shall establish all inter-local contracts for services at a level which reflects the full cost of providing the services. Full cost means all actual direct costs, plus overhead costs."

The Interlocal Cooperation Agreement between the [Municipality] and Salt Lake County on behalf of the County Clerk's Election's Division for Municipal Election (2021 & 2022), Part 4.0 Cost, states:

"County shall provide written invoice to the City at the conclusion of the elections, and the City shall pay the County within thirty days of receiving the invoice. The Invoice shall contain a summary of the costs of the election and shall provide the formula for allocating the costs among the issues and jurisdictions participating in the elections...The invoice amount for these additional services may cause the total cost to the City to exceed the estimate given to the City."

Management stated that due to employee turnover they were unsure how the NTEs used to determine billing were chosen. The NTE should match the voting method election type chosen by the municipality. Those that had chosen more than one type of voting should have been charged per contest and a mixture of the NTEs for that voting type should have been used.

The municipality's choice of voting type directly influences the costs incurred by the County. Billing the incorrect NTE for the selected voting type increases the risk of the County over or undercharging the municipalities for the actual costs incurred. Additionally, there is an increased reputational risk to the County for not allocating costs based on accurate records of voting types.

9.1

RECOMMENDATION

Develop Written Procedures

We recommend management develop written procedures on the process of determining estimated and actual election costs, and billing.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: 1/31/2025

SEE PAGE 66 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

9.2

RECOMMENDATION

Management Review

We recommend management implement a review process to verify that the amount billed to municipalities agrees to the voting method and election type.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: 1/31/2025

SEE PAGE 67 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 10 AND RECOMMENDATIONS

Insufficient Source Documentation of Rank Choice Voting Costs

Risk Rating: **Moderate Risk Finding**

In 2021, management allocated the additional costs associated with ranked-choice voting (RCV) among all municipalities participating in RCV contests. The formulas supporting the calculations showed discrepancies between the sources and amounts, including a RCV license fee, of estimates and actual cost allocations.

The RCV estimated election costs for municipalities, including labor and additional training costs, totaled \$5,885. In comparison, the actual municipal election allocation had an additional RCV licensing fee of \$10,000, for a total of \$15,885. The additional license fee could not be agreed to source documentation or calculation to support this additional cost. Management inquired with the software vendor, and they clarified that the RCV annual license fee for 2021 was already included in the total licensing fee rather than itemized out. The RCV module was part of the initial election software package with no additional RCV licensing fee present in 2021. It was not until 2023 that the RCV annual license was itemized out with the dollar amount identified.

Salt Lake County Countywide Policy 1060: Financial Goals and Policies, Part 4.0 Revenue Policies, Section 4.5 states:

“The County shall establish all inter-local contracts for services at a level which reflects the full cost of providing the services. Full cost means all actual direct costs, plus overhead costs.”

Part 8.0 Internal Control Policy, Section 8.3 states:

“Adequate documents and records shall be designed and used to ensure the proper recording of events; the development of adequate safeguards over access to and use of assets and resources; and the use of independent checks on performance and on the proper valuation of recorded amounts.”

Management agreed that the estimates and actual costs were not able to be reperformed due to missing documentation, procedures, and staff turnover.

Due to the lack of historical records of estimate calculations, it is unclear how or why calculation differences existed. Without documented procedures, we are unable to verify the accuracy and completeness of election cost calculations for municipalities. Additionally, the lack of

documented procedures for calculating allocated costs could increase the risk of errors, fraud, and waste.

10.1

RECOMMENDATION

RCV Cost Methodology

We recommend that management use the same methodology to calculate estimated and actual Rank Choice Voting costs.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: PRIOR TO INVOICING FOR THE 2025 MUNICIPAL ELECTION

SEE PAGE 67 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

10.2

RECOMMENDATION

Document Retention

We recommend that management retain source documentation, including procedures for calculation methodology.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: PRIOR TO INVOICING FOR THE 2025 MUNICIPAL ELECTION

SEE PAGE 68 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 11 AND RECOMMENDATIONS

Election Cost Summary Not Included on Invoices and One Irregular Invoice Format

Risk Rating: **Moderate Risk Finding**

Management is responsible for creating the invoices that are sent out to the municipalities and special districts that contracted with the County for elections. We reviewed all 38 contracts and 29 invoices between 2021 and 2022. Not all municipalities and special districts that intended to hold an election ultimately participated, resulting in fewer invoices than contracts.

We found that each invoice in our review contained a single lump sum cost for election services and did not include a summary of election costs or allocation of the costs among those participating. Furthermore, there was no documented review or approval of these invoice amounts by another supervisor or designee to ensure that the amount billed was accurate and complete.

Additionally, the County's financial database did not contain a \$500 invoice for Salt Lake County Area #3. Management retrieved the invoice documentation from County Archives and clarified that it appeared to have been formatted using Excel rather than the County's financial system. The invoice format and remittance requirements differed from the traditional invoice format that was billed to other municipalities. We confirmed that the \$500 balance was deposited per the bank statement to minimize the risk of fraud.

The Interlocal Cooperation Agreement between the [Municipality] and Salt Lake County on behalf of the County Clerk's Election's Division for Municipal Election, Part 4. Cost, states,

"...The invoice shall contain a summary of the costs of the election and shall provide the formula for allocating the costs among the issues and jurisdictions participating in the elections."

Salt Lake County Countywide Policy 1060: Financial Goals and Policies Part 8. Internal Control Policy, Section 8.3 states:

"Adequate documents and records shall be designed and used to ensure the proper recording of events; the development of adequate safeguards over access to and use of assets and resources; and the use of independent checks on performance and on the proper valuation of recorded amounts."

Management clarified that the municipalities have the option to request further information for their invoices, but their office has never received such a request in the past. Although management reviews the invoices before sending them out, there is no documentation of the review or approval process. Additionally, the creator of the one irregular invoice was unknown due to employee turnover.

Failure to include required information in the invoices may violate the terms of the contract, leading to potential contract breaches. Additionally, detailed invoices help municipalities understand election costs better, fostering transparency and trust in government relationships. Without proper review and approval of invoices, errors, or fraudulent activities in billing the municipality may go unnoticed.

| | | |
|------|----------------|----------------|
| 11.1 | RECOMMENDATION | Invoice Detail |
|------|----------------|----------------|

We recommend that management consult with legal counsel to update the contracts to either:

1. Include the cost break down required by their interlocal election contracts, or
2. Update the wording in the contract to reflect the current invoicing practices of the County Clerk's Office.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: 12/31/2024

SEE PAGE 68 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

| | | |
|------|----------------|----------------------------|
| 11.2 | RECOMMENDATION | Develop Written Procedures |
|------|----------------|----------------------------|

We recommend that management establish and implement documented procedures for the review and approval process for all election invoices to be performed by an individual not responsible for preparing and processing the invoices. The invoice formats and remittance information should also be reviewed for uniformity.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: 12/31/2024

SEE PAGE 69 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that management implement a policy mandating the use of the County's financial system for invoice creation to ensure uniformity and compliance with established procedures.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: COMPLETED

SEE PAGE 69 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 12 AND RECOMMENDATIONS

Lack of Check Log Documentation for Municipal Election Payments

Risk Rating: **Moderate Risk Finding**

After each election, the Clerk's Office received payments for their municipal election services. The municipalities remit payment via check to either the Clerk's Office or Mayor's Finance Administration (MFA). If the check is received by the Clerk's Office, it is then transferred to MFA to process the payment.

For payments received following the 2021 and 2022 municipal elections, the Clerk's Office lacked documentation of a check log on file to establish safe-keeping and ensure proper accountability for election checks received by the Clerk's Office.

Salt Lake County Countywide Policy 1062: Management of Public Funds, Section III.5 states,

"County Agency Management and Fiscal Managers shall establish Internal Control procedures tailored to their operational requirements. These controls should be designed to prevent payments by check through the mail from being lost, stolen, or diverted to personal use."

Due to staff turnover, management was uncertain if check logs were used or retained for documentation.

The absence of check logs increases the risk of fraud, waste and abuse due to a lack of accountability by employees that receive and handle the check transfer and ensuring adequate segregation of duties in check handling. It also increases the risk of improperly reconciling cash receipts due to potential errors or omissions of balances, as well as being unable to identify potential discrepancies.

We recommend that the Clerk's Office implements a standardized process for maintaining a check log for all municipal election's payments received through their agency. The check log should include but is not limited to:

- Date Received and Transferred
- Identify who received and transferred the check
- Payee Name
- Check Amount
- Check Number

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: COMPLETED

SEE PAGE 70 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 13 AND RECOMMENDATIONS

Inadequate Documentation of Collection Efforts for Delinquent Election Payments

Risk Rating: **Moderate Risk Finding**

The County's interlocal election agreement and invoices sent to municipalities state that the payments terms are 30 days of the invoice receipt date. Three out of 29 (10%) municipalities paid their invoices more than five days after the 30-day due date between 2021 and 2022. The number of days delinquent ranged between seven and 94 days. Management did not retain documentation of collection efforts for the three delinquent municipalities.

The Interlocal Cooperation Agreements between the [Municipality] and Salt Lake County on behalf of the County Clerk's Election's Division for Municipal Election (2021 & 2022), Part 4. Cost, state:

"The County shall provide a written invoice to the City at the conclusion of the elections, and the City shall pay the County within thirty days of receiving the invoice."

Salt Lake County Countywide Policy 1220: Management of Accounts Receivable and Bad Debt Collection, Section 4.5.2 states,

"Accurate records of correspondence, telephone calls, and personal contacts with debtors shall be maintained."

Management mentioned that it was likely a phone call was made to pursue the payment(s), but no documentation exists of the efforts.

When collection efforts are not documented for delinquent payments from municipalities, it may increase the risk of ineffective debt recovery practices, leading to prolonged outstanding balances and potential financial losses for the County.

13.1

RECOMMENDATION

Collection Efforts

We recommend that management establish a formal process to document all collection efforts (correspondence, phone calls, emails, and personal contacts) for delinquent election payments as required by Countywide Policy 1220.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: COMPLETED

SEE PAGE 71 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 14 AND RECOMMENDATIONS

Review of Elections Cost Calculations by Elections Director or Alternative Designee Not Documented

Risk Rating: **Low Risk Finding**

The Fiscal Manager is responsible for calculating the accrued election costs as well as the cost allocated and invoiced to each municipality for the Clerk’s Office administration of the election. However, management was unable to provide documentation of secondary or management review of the election cost amounts, accrued amounts, or allocated municipal invoiced amounts for the 2021 or 2022 elections.

Salt Lake County Countywide Policy 1060: Financial Goals and Policies, Part 8.0 Internal Control Policy, Section 8.3 states:

“Adequate documents and records shall be designed and used to ensure the proper recording of events; the development of adequate safeguards over access to and use of assets and resources; and the use of independent checks on performance and on the proper valuation of recorded amounts.”

Management explained that these calculations are extensively discussed in regular executive meetings, but the review is not documented.

Without documentation of management review of election cost calculations, there is an increased risk of errors as well as fraud, waste, and abuse. Municipalities may be over or undercharged due to incorrect invoicing, which leads to inaccurate financial reporting, and potential damage to the organization’s reputation.

| 14.1 | RECOMMENDATION | Management Review |
|------|----------------|-------------------|
|------|----------------|-------------------|

We recommend that management establish and implement a formal process for documenting management review of municipal election cost amounts, accrued amounts, as well the municipal amounts billed on invoices

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: PRIOR TO INVOICING MUNICIPALITIES AND SERVICE DISTRICTS FOR THE 2025 MUNICIPAL ELECTION

SEE PAGE 71 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 15 AND RECOMMENDATIONS

Election Cost Calculation Spreadsheet Not Protected and Changes Made Are Not Tracked

Risk Rating: **Low Risk Finding**

A single electronic spreadsheet is used by management to track election estimates and actual costs for each election year. It can be accessed by the Fiscal Manager, Fiscal Manager's Assistant, Elections Director, County Clerk, and Deputy County Clerk. Any of these personnel can access the folder where this spreadsheet is kept and make changes to the spreadsheet. The spreadsheet is not password protected and changes made are not tracked. It is also unclear who created it in the first place. If changes were made to formulas or balances, there were no track changes or other documentation identifying who made those changes.

Salt Lake County Countywide Policy 1060: Financial Goals and Policies, Part 8.0 Internal Control Policy Section 8.1 states:

"The County shall implement an internal control structure to ensure, on a reasonable basis, all valid financial transactions of the County are identified and recorded accurately and timely."

Section 8.3 states:

"Adequate documents and records shall be designed and used to ensure the proper recording of events; the development of adequate safeguards over access to and use of assets and resources; and the use of independent checks on performance and on the proper valuation of recorded amounts."

Staff turnover has resulted in management losing track of who originally created the spreadsheet calculations. Currently, all information is kept on the agency's internal drive with only certain individuals granted access to the folders they are kept in.

Password protection controls decrease the risk of unauthorized employees accessing the spreadsheet and making inaccurate changes, whether accidental or intentional. Tracking changes helps to reduce the risk of input errors and fraud.

15.1

RECOMMENDATION

Audit Log

We recommend that management implement an audit log or log of changes made to the election cost calculations spreadsheet.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: 12/31/2024

SEE PAGE 72 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

15.2

RECOMMENDATION

Document Security

We recommend that management implement password protect measures over the election costs spreadsheet.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE: COMPLETED

SEE PAGE 72 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

Complete List of Audit Recommendations

This report had the following 28 recommendations.

RECOMMENDATION 1.1:

We recommend management bill municipalities or special districts based on the calculated actual election cost amounts for each municipality to comply with Countywide Policy 1060 "Financial Goals and Policies."

RECOMMENDATION 1.2:

We recommend management exclude the not-to-exceed clause for election cost estimate amounts and instead add a clause that actual costs will be billed in the interlocal agreements. If a good faith estimate remains in the interlocal agreements, management should retain documentation supporting the estimate's calculations and included costs.

RECOMMENDATION 2.1:

We recommend that management develop written procedures that address the following, but are not limited to:

1. How election costs are calculated for both estimates and actual election costs.
2. How allocations toward each municipality/special district are made.
3. Reference input methods and governing policies.
4. Methodology used to calculate estimated amounts on contracts.
5. Estimating and Allocating RCV-related costs.
6. Address the processes and/or calculations used to determine the formulas and factors used when calculating estimated and actual costs. The use of factors shall be documented with reason or rationale for their usage.

RECOMMENDATION 2.2:

We recommend that management develop a plan for knowledge transfer and succession planning to mitigate the impact of staff turnover on election cost calculations. Ensure that key personnel responsible for recording and calculating election costs receive adequate training, and regularly update and maintain documentation of procedures to reflect current practices.

RECOMMENDATION 3.1:

We recommend that management use one uniform methodology for calculating both estimates and actual allocated costs to municipalities.

RECOMMENDATION 3.2:

We recommend that management include primary election participation as a specific cost driver when estimating municipal traditional election costs.

RECOMMENDATION 4.1:

We recommend management match the primary election actual costs allocated to each municipality based on the municipalities' participation in specific primary contests.

RECOMMENDATION 4.2:

We recommend management match the RCV election costs allocated to each municipality based on the municipalities' participation in specific RCV contests.

RECOMMENDATION 4.3:

We recommend management assign a designee, other than the Fiscal Manager, to review and match all allocation amounts to each municipality's actual election participation.

RECOMMENDATION 4.4:

We recommend that management develop and implement procedures for allocating election costs to municipalities. These procedures should include guidelines for determining contest factors, registered voter amounts, voting methods, and election types, and ensure alignment with actual election participation.

RECOMMENDATION 5.1:

We recommend that management document the rationale used to determine the formulas and factors used when calculating estimated and actual costs for special districts.

RECOMMENDATION 6.1:

We recommend management use one uniform cost allocation method for calculating estimates and actual allocated costs to special districts.

RECOMMENDATION 6.2:

We recommend that management develop and implement documented procedures outlining the steps and formulas used to determine NTE amounts and allocate actual costs among participating special districts.

RECOMMENDATION 7.1:

We recommend management develop and implement documented procedures detailing the process for how incurred election cost estimates and final amounts are calculated.

RECOMMENDATION 7.2:

We recommend that management develop and implement documented retention procedures and policies for cost calculations and source documentation to ensure business continuity and accounting transparency in their accrued cost amounts.

RECOMMENDATION 8.1:

We recommend management develop and implement documented procedures detailing the process for how incurred election cost estimates and final amounts are allocated between primary and general elections.

RECOMMENDATION 9.1:

We recommend management develop written procedures on the process of determining estimated and actual election costs, and billing.

RECOMMENDATION 9.2:

We recommend management implement a review process to verify that the amount billed to municipalities agrees to the voting method and election type.

RECOMMENDATION 10.1:

We recommend that management use the same methodology to calculate estimated and actual Rank Choice Voting costs.

RECOMMENDATION 10.2:

We recommend that management retain source documentation, including procedures for calculation methodology.

RECOMMENDATION 11.1:

We recommend that management consult with legal counsel to update the contracts to either:

1. Include the cost break down required by their interlocal election contracts, or
2. Update the wording in the contract to reflect the current invoicing practices of the County Clerk's Office.

RECOMMENDATION 11.2:

We recommend that management establish and implement documented procedures for the review and approval process for all election invoices to be performed by an individual not responsible for preparing and processing the invoices. The invoice formats and remittance information should also be reviewed for uniformity.

RECOMMENDATION 11.3:

We recommend that management implement a policy mandating the use of the County's financial system for invoice creation to ensure uniformity and compliance with established procedures.

RECOMMENDATION 12.1:

We recommend that the Clerk's Office implements a standardized process for maintaining a check log for all municipal election's payments received through their agency. The check log should include but is not limited to:

- Date Received and Transferred
- Identify who received and transferred the check
- Payee Name
- Check Amount
- Check Number

RECOMMENDATION 13.1:

We recommend that management establish a formal process to document all collection efforts (correspondence, phone calls, emails, and personal contacts) for delinquent election payments as required by Countywide Policy 1220.

RECOMMENDATION 14.1:

We recommend that management establish and implement a formal process for documenting management review of municipal election cost amounts, accrued amounts, as well the municipal amounts billed on invoices.

RECOMMENDATION 15.1:

We recommend that management implement an audit log or log of changes made to the election cost calculations spreadsheet.

RECOMMENDATION 15.2:

We recommend that management implement password protect measures over the election costs spreadsheet.

Appendix A:

Finding 3: Inconsistencies Exist Between the Estimate and Actual Election Cost Formulas for Municipalities

Table A.1: Comparison of Actual and Allocated Election Costs for Primary and General Elections in Participating Municipalities (2021). *The five municipalities that participated in primary elections contained a majority of the overall variance between the billed and allocated actual election costs.*

| Municipality | Primary: Actual Cost Amount Allocated | Primary & General: Actual Cost Amount Allocated | Primary & General: Total Amount Billed ¹ | Primary & General Variance: NTE Billed to Actual Costs |
|---------------|---------------------------------------|---|---|--|
| Herriman | \$58,556.00 | \$102,806.00 | \$51,404.00 | \$51,402.00 |
| Murray | \$65,942.00 | \$115,773.00 | \$57,888.00 | \$57,885.00 |
| Taylorville | \$67,006.00 | \$117,641.00 | \$58,801.00 | \$58,840.00 |
| West Jordan | \$135,628.00 | \$238,119.00 | \$119,335.00 | \$118,784.00 |
| West Valley | \$121,693.00 | \$213,653.00 | \$106,830.00 | \$106,823.00 |
| Totals | \$448,825.00 | \$787,992.00 | \$394,258.00 | \$393,734.00 |

Source: Salt Lake County Clerk Office's spreadsheet "21 Election Cost Estimate"

1 Note: Total amount billed is the not-to-exceed balance entered in the interlocal agreement.

Figure A.1: Comparison of Calculation Methods: Highlighting Variances Between Estimated and Actual Costs for West Jordan Municipality in 2021. *Example of the different calculation methods between estimates and actual costs for West Jordan are highlighted red below, and the impact on estimated total district cost and final allocated actual cost for the municipality in 2021.*

| Estimate: | | | | | |
|---------------|--------------------|---|------------------------|---------------------|----------------------|
| | | Total Estimated Cost: | | | |
| | | \$ 1,678,781.00 | Percentage Cost Factor | Total District Cost | Not To Exceed (NTE) |
| # of Voters | 55,650 | | 6.80% | \$ 114,978.00 | \$ 119,335.00 |
| # of Contests | 3 Council-At-Large | | | | |
| | | Total Voters: | | | |
| | | 1,193,528 | | | |
| Actual: | | | | | |
| Primary | | | | | |
| | | Total Primary Cost | | | |
| | | \$ 448,825.00 | Percentage Cost Factor | Total Primary Cost | |
| # of Voters | 55,650 | | 30.20% | \$ 135,628.00 | |
| # of Contests | 3 Council-At-Large | | | | |
| | | Total Voters in Primary Cities | | | |
| | | 202,575 | | | |
| | | | | | Combined Cost |
| | | | | | \$ 238,119.00 |
| General | | | | | |
| | | Total General Cost | | | |
| | | \$ 1,130,917.00 | Percentage Cost Factor | Total General Cost | |
| # of Voters | 55,650 | | 9.10% | \$ 102,491.00 | |
| # of Contests | 3 Council-At-Large | | | | |
| | | Total Voters in all General Cities | | | |
| | | 1,193,528 | | | |

Source: Salt Lake County Clerk Office's spreadsheet "21 Election Cost Estimate"

Agency Response



Lannie Chapman
Salt Lake County Clerk

Nikila Venugopal
Chief Deputy Clerk



May 23, 2024

Auditor Chris Harding, CPA
Office of the Auditor
Salt Lake County
2001 S State Street
Salt Lake City, UT 84121

Auditor Harding,

We have received the audit report related to 2021 and 2022 Salt Lake County Election's service agreements with municipalities and special districts. Thank you to both you and your team for the time spent on this project, and your team's utmost professionalism throughout.

Upon taking office in 2023, it became one of my very first priorities to focus on formalizing processes, proper documentation, and knowledge retention. As such, I am deeply grateful for the opportunity that your office has provided through this audit to focus on service agreements to administer elections on behalf of municipalities and service districts. This report reaffirms our efforts underway to ensure that the appropriate policies and procedures are in place for compliance with countywide policies and interlocal agreements.

Please find our response below to each of the recommendations made in your report.

AUDIT FINDING 1: Use of Not-to-Exceed Clause Resulted in Municipalities being Billed for Less than the Actual Election Costs.

RECOMMENDATION 1.1

We recommend management bill municipalities or special districts based on the calculated actual election cost amounts for each municipality to comply with Countywide Policy 1060 "Financial Goals and Policies."

| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
|--|--|---|
| Agree | Completed | Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 1.1 including action plan.

We agree with this recommendation wholeheartedly. For this reason, upon the complete administrative turnover of the Clerk’s office at the beginning of 2023, one of the first steps taken, prior to the start of this audit, was to remove the not-to-exceed clause from interlocal agreements with municipalities. In 2023, interlocal agreements included a good faith estimate, alongside a clause that actual costs would be billed. This allowed us, in 2023, to fully cover our actual costs. This practice will continue.

| <p>RECOMMENDATION 1.2 We recommend management exclude the not-to-exceed clause for election cost estimate amounts and instead add a clause that actual costs will be billed in the interlocal agreements. If a good faith estimate remains in the interlocal agreements, management should retain documentation supporting the estimate’s calculations and included costs.</p> | | |
|--|--|---|
| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
| Agree | Completed | Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 1.2 including action plan.

Upon the complete administrative turnover of the Clerk’s office at the beginning of 2023, one of the first steps taken, prior to the start of this audit, was to remove the not-to-exceed clause from interlocal agreements with municipalities. In 2023, interlocal agreements included a good faith estimate, alongside a clause that actual costs would be billed. This allowed us, in 2023, to fully cover our actual costs. This practice will continue.

AUDIT FINDING 2: Absence of Written Policies and Procedures for Allocating Election Costs Among Municipalities

RECOMMENDATION 2.1

We recommend that management develop written procedures that address the following, but are not limited to:

1. How election costs are calculated for both estimates and actual election costs
2. How allocations toward each municipality/special district are made
3. Reference input methods and governing policies
4. Methodology used to calculate estimated amounts on contracts.
5. Estimating and Allocating RCV-related costs
6. Address the processes and/or calculations used to determine the formulas and factors used when calculating estimated and actual costs. The use of factors shall be documented with reason or rationale for their usage.

| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
|---------------------------------------|---|--|
| Agree | 12/31/24 | Lannie Chapman, Clerk, Nikila Venugopal, Chief Deputy Clerk and Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 2.1 including action plan.

One of this administration's top priorities is formalizing processes and developing written procedures to ensure proper documentation and knowledge transfer. The advised written procedures noted in recommendation 2.1 are already underway. As the development of such procedures has required thoughtfully considering the complexities of billing when factoring in overlapping contests, recently changed statutory deadlines for election cancellation, and other complicating factors, our target date for completion is longer than the 90 days. With three elections this year, including a Presidential General, we wanted to be transparent about a realistic timeline for completion. We will complete and implement these procedures prior to the contracting discussions with municipalities that will occur next January. As this year is not a municipal election year, these written procedures, and policies, to the extent that they specifically apply to interlocal agreements with municipalities, will become more immediately relevant next year.

| | | |
|--|--|---|
| RECOMMENDATION 2.2 | | |
| We recommend that management develop a plan for knowledge transfer and succession planning to mitigate the impact of staff turnover on election cost calculations. Ensure that key personnel responsible for recording and calculating election costs receive adequate training, and regularly update and maintain documentation of procedures to reflect current practices. | | |
| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
| Agree | 12/31/24 | Lannie Chapman, Clerk and Nikila Venugopal, Chief Deputy Clerk |

Narrative for Recommendation 2.2 including action plan.

One of this administration’s top priorities is formalizing processes and developing written procedures to ensure proper documentation and knowledge transfer. We have already begun the process of creating updated written procedures related to recording and calculating election costs, and documentation for related election processes. By the target implementation date, these written procedures will be compiled for ease of access, knowledge transfer, and training, at the time that such transfer becomes necessary.

AUDIT FINDING 3: Inconsistencies Found Between the Estimate and Actual Election Cost Formulas for Municipalities

| | | |
|---|--|---|
| RECOMMENDATION 3.1 | | |
| We recommend that management use one uniform methodology for calculating both estimates and actual allocated costs to municipalities. | | |
| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
| Agree | 1/31/2025 | Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 3.1 including action plan.

We have already begun developing this methodology, and working through the many complexities involved, as outlined in the narrative for recommendation 3.2.

| RECOMMENDATION 3.2 | | |
|---|--|---|
| We recommend that management include primary election participation as a specific cost driver when estimating municipal traditional election costs. | | |
| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
| Agree | 1/31/2025 | Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 3.2 including action plan.

Due to legislative changes over the last several years, it is now possible for municipalities to cancel their primary election or specific contests within their primary election, at any point. Candidates may also withdraw from consideration at any point throughout the election cycle, possibly changing whether a municipality needs to hold a primary for that contest or not. Therefore, one of the complicating factors for our office when preparing good faith estimates, is the wide range of scenarios that may play out, depending on which municipalities end up having a primary, and which do not. With so many unknown factors at the time that contracts must be prepared, providing an estimate that accurately predicts whether a primary will be held or not, and the corresponding cost, is extremely challenging. We are already in the process of developing a new methodology for providing estimates, which may include providing a sliding scale showing the range of possibilities, depending on whether that municipality ends up needing to hold a primary election, and if they do, what their share of the costs may look like depending on how many other municipalities also hold a primary.

AUDIT FINDING 4: Inconsistencies in Municipal Election Actual Cost Allocations and Calculation Input Errors

| |
|---------------------------|
| RECOMMENDATION 4.1 |
|---------------------------|

| | | |
|---|--|--|
| We recommend management match the primary election actual costs allocated to each municipality based on the municipalities' participation in specific primary contests. | | |
| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
| Agree | Prior to invoicing municipalities and service districts for the 2025 election | Nikila Venugopal, Chief Deputy Clerk, and Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 4.1 including action plan.

We agree that billing based on actual costs should accurately reflect the number of contests, and type of contests, actually held for any given municipality's primary election. While unknown at the time of contracting, we will review the allocation of actual costs at the time of billing to ensure that it is based on the municipalities' participation in specific primary contests.

| | | |
|--|--|--|
| RECOMMENDATION 4.2 | | |
| We recommend management match the RCV election costs allocated to each municipality based on the municipalities' participation in specific RCV contests. | | |
| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
| Agree | Prior to invoicing municipalities and service districts for the 2025 election | Nikila Venugopal, Chief Deputy Clerk, and Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 4.2 including action plan.

We agree that billing based on actual costs should accurately reflect the type of contests actually held for any given municipality's primary election. There are specific conditions for a contest to be actually conducted as RCV, including the number of candidates who file, and the number of candidates remaining should any withdraw. Neither the municipality nor our office can control these factors. While unknown at the time of contracting, we will review the allocation of actual costs at the time of billing to ensure we have accounted for which races could be conducted as RCV, and which could not.

RECOMMENDATION 4.3

We recommend management assign a designee, other than the Fiscal Manager, to review and match all allocation amounts to each municipality's actual election participation.

| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
|--|--|--|
| Agree | Completed | Lannie Chapman, Clerk, Nikila Venugopal, Chief Deputy Clerk and Tom Reese, Election Director |

Narrative for Recommendation 4.3 including action plan.

Under the prior administration, the Fiscal Manager role and Elections Director role were effectively collapsed into one position/person. At the outset of the current administration, these two roles were made distinct. One of the general priorities of this administration is ensuring appropriate separation of duties, so that multiple layers of oversight, transparency and accountability can exist. Going forward, at least one person in senior management other than the Fiscal Manager, consisting of the Clerk, Chief Deputy Clerk, or Election Director, will review the matching of all allocation amounts, and such review will be documented.

RECOMMENDATION 4.4

We recommend that management develop and implement procedures for allocating election costs to municipalities. These procedures should include guidelines for determining contest factors, registered voter amounts, voting methods, and election types, and ensure alignment with actual election participation.

| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
|--|--|---|
| Agree | 1/31/25 | Lannie Chapman, Clerk, Nikila Venugopal, Chief Deputy Clerk, and Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 4.4 including action plan.

We agree that billing based on actual costs should accurately reflect the factors listed in Recommendation 4.4. We have already begun developing a methodology and subsequent procedures for doing so. These procedures will be documented for business continuity, transparency, and knowledge transfer in the future.

AUDIT FINDING 5: Factors used for calculating Special Districts Estimated Costs did not have Supporting Documentation

| | | |
|--|--|---|
| RECOMMENDATION 5.1 | | |
| We recommend that management document the rationale used to determine the formulas and factors used when calculating estimated and actual costs for special districts. | | |
| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
| Agree | Prior to invoicing municipalities and service districts for the 2025 election | Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 5.1 including action plan.

We have already begun developing a methodology and subsequent procedures for calculating estimated and actual costs for special districts. These procedures will be documented for business continuity, transparency, and knowledge transfer in the future.

AUDIT FINDING 6: Special Districts Were Not Billed Actual Costs for 2021 General Election

| | | |
|---|--|---|
| RECOMMENDATION 6.1 | | |
| We recommend management use one uniform cost allocation method for calculating estimates and actual allocated costs to special districts. | | |
| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
| | | |

| | | |
|-------|------------|------------------------------|
| Agree | 12/31/2024 | Ann Stoddard, Fiscal Manager |
|-------|------------|------------------------------|

Narrative for Recommendation 6.1 including action plan.

We have already begun developing a methodology and subsequent procedures for calculating estimated and actual costs for special districts. These procedures will be documented for business continuity, transparency, and knowledge transfer in the future.

| | | |
|--|--|---|
| RECOMMENDATION 6.2 | | |
| We recommend that management develop and implement documented procedures outlining the steps and formulas used to determine NTE amounts and allocate actual costs among participating special districts. | | |
| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
| Agree | Completed | Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 6.2 including action plan.

As previously explained in the narratives for Recommendations 1.1 and 1.2, our administration removed the not-to-exceed clause from all contracts with municipalities in 2023, instead providing a good faith estimate, and a clause stating that we would bill on actual costs. This practice will continue.

AUDIT FINDING 7: Insufficient Source Documentation for Sampled Election Costs in 2021 and 2022.

| | | |
|--|--|---|
| RECOMMENDATION 7.1 | | |
| We recommend management develop and implement documented procedures detailing the process for how incurred election cost estimates and final amounts are calculated. | | |
| Agree or Disagree with Recommendation | Target date to complete implementation activities | Name and Title of specific point of contact for implementation |
| | | |

| | | |
|-------|--|------------------------------|
| | (Generally expected within 60 to 90 days) | |
| Agree | 1/31/2025 | Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 7.1 including action plan.

We have already begun developing a methodology and subsequent procedures for calculating estimated and actual costs. These procedures will be documented for business continuity, transparency, and knowledge transfer in the future. Despite the many unknown factors at the time of providing estimates, including voter participation and inflation, final billing is based on actual costs. As our administration has made it a priority to retain source documentation, we expect our ability to provide good faith estimates based on historical knowledge to only improve.

| | | |
|---|--|---|
| RECOMMENDATION 7.2 | | |
| We recommend that management develop and implement documented retention procedures and policies for cost calculations and source documentation to ensure business continuity and accounting transparency in their accrued cost amounts. | | |
| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
| Agree | Completed | Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 7.2 including action plan.

Our current Fiscal Manager has updated all aspects of our purchasing process, to ensure proper approval and documentation procedures are in place. This new process has been in place since the start of the current administration, and we appreciate that this audit highlights the importance of documentation retention and business continuity.

AUDIT FINDING 8: Absence of Written Procedures for Calculating and Allocating Actual costs between Primary and General Elections

| RECOMMENDATION 8.1 We recommend management develop and implement documented procedures detailing the process for how incurred election cost estimates and final amounts are allocated between primary and general elections. | | |
|--|--|---|
| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
| Agree | 1/31/2025 | Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 8.1 including action plan.

In 2023 we made significant improvements to documenting the cost allocation between primary and general elections. We are currently developing and documenting the related procedures.

AUDIT FINDING 9: Municipalities were billed NTE amounts that did not agree to the Contract’s Election voting type NTE amount.

| RECOMMENDATION 9.1 We recommend management develop written procedures on the process of determining estimated and actual election costs, and billing. | | |
|---|--|--|
| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
| Agree | 1/31/2025 | Nikila Venugopal, Chief Deputy Clerk, and Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 9.1 including action plan.

We have already begun developing a methodology and subsequent procedures for calculating estimated and actual costs. These procedures will be documented for business continuity, transparency, and knowledge transfer in the future. Despite the many unknown factors at the time of providing estimates, including voter participation and inflation, final billing is based on actual costs. As noted in previous narratives above, we have already discontinued the use of not-to-exceed clauses. Procedures for determining estimated and actual election costs, and billing, will include documented levels of management review for accuracy.

| | | |
|--|--|---|
| RECOMMENDATION 9.2 | | |
| We recommend management implement a review process to verify that the amount billed to municipalities agrees to the voting method and election type. | | |
| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
| Agree | 1/31/25 | Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 9.2 including action plan.

We agree that billing based on actual costs should accurately reflect any given municipality's actual election participation. As noted in previous narratives above, and as it relates to any mismatched NTE amounts during the previous administration, we have already discontinued the use of not-to-exceed clauses. Procedures for determining estimated and actual election costs, and billing, will include documented levels of management review for accuracy.

AUDIT FINDING 10: Insufficient Source Documentation of Rank Choice Voting Estimates and Actual Costs Unable to Agree.

| | | |
|---|--|---|
| RECOMMENDATION 10.1 | | |
| We recommend that management use the same methodology to calculate estimated and actual Rank Choice Voting costs. | | |
| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
| | | |

| | | |
|-------|---|------------------------------|
| Agree | Prior to invoicing municipalities and service districts for the 2025 election | Ann Stoddard, Fiscal Manager |
|-------|---|------------------------------|

Narrative for Recommendation 10.1 including action plan.

We have already begun developing a methodology and subsequent procedures for calculating estimated and actual costs, including for RCV contests. These procedures will be documented for business continuity, transparency and knowledge transfer in the future.

| | | |
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| RECOMMENDATION 10.2 | | |
| We recommend that management retain source documentation, including procedures for calculation methodology. | | |
| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
| Agree | Prior to invoicing municipalities and service districts for the 2025 election | Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 10.2 including action plan.

In 2023, we made significant improvements to documentation processes. We have already begun developing a methodology and subsequent procedures for calculating estimated and actual costs, including for RCV contests. These procedures will be documented for business continuity, transparency, and knowledge transfer in the future.

AUDIT FINDING 11: Election Cost Summary Not Included on Invoices and One Irregular Invoice Format.

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| RECOMMENDATION 11.1 |
| We recommend that management consult with legal counsel to update the contracts to either: |
| <ol style="list-style-type: none"> 1. Include the cost break down required by their interlocal election contracts, or 2. Update the wording in the contract to reflect the current invoicing practices of the County Clerk’s Office. |

| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
|---------------------------------------|---|--|
| Agree | 12/31/2024 | Lannie Chapman, Clerk and DA agency civil attorney |

Narrative for Recommendation 11.1 including action plan.

In 2023, we provided cost breakdowns to municipalities. However, we are currently working with legal counsel to update the verbiage in interlocal election agreements.

| RECOMMENDATION 11.2 | | |
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| We recommend that management establish and implement documented procedures for the review and approval process for all election invoices to be performed by an individual not responsible for preparing and processing the invoices. The invoice formats and remittance information should also be reviewed for uniformity. | | |
| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
| Agree | 12/31/2024 | Lannie Chapman, Clerk, Nikila Venugopal, Chief Deputy Clerk |

Narrative for Recommendation 11.2 including action plan.

As noted in the narrative for recommendation 4.3, we have already made the roles of Fiscal Manager and Election Director distinct. One of the general priorities of this administration is ensuring appropriate separation of duties, so that multiple layers of oversight, transparency and accountability can exist. Going forward, at least one person in senior management, consisting of the Clerk, Chief Deputy Clerk, or Election Director, will review all election invoices, as prepared by the Fiscal Manager. Such review will be documented.

| RECOMMENDATION 11.3 |
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| We recommend that management implement a policy mandating the use of the County's financial system for invoice creation to ensure uniformity and compliance with established procedures. |

| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
|---------------------------------------|---|---|
| Agree | Completed | Lannie Chapman, Clerk, Nikila Venugopal, Chief Deputy Clerk, and Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 11.3 including action plan.

Due to the complete administrative turnover, we do not know the circumstances that led to an irregular invoice format under the previous administration. However, from the outset of our administration, we have implemented the process of using the County’s financial system for all invoice creation. We appreciate the importance of this procedure being highlighted in this audit, and this practice will continue in our office.

AUDIT FINDING 12: Lack of Check Log Documentation for Municipal Election Payments

| <p>RECOMMENDATION 12.1 We recommend that the Clerk’s Office implements a standardized process for maintaining a check log for all municipal election’s payments received through their agency. The check log should include but is not limited to:</p> <ul style="list-style-type: none"> • Date Received and Transferred • Identify who received and transferred the check • Payee Name • Check Amount • Check Number | | |
|---|---|--|
| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
| Agree | Completed | Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 12.1 including action plan.

This practice has become standard for any payments received through our agency, as of the beginning of the current administration.

AUDIT FINDING 13: Inadequate Documentation of Collection Efforts for Delinquent Election Payments

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| RECOMMENDATION 13.1 | | |
| We recommend that management establish a formal process to document all collection efforts (correspondence, phone calls, emails, and personal contacts) for delinquent election payments as required by Countywide Policy 1220. | | |
| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
| Agree | Completed | Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 13.1 including action plan.

As of the 2023 municipal elections, we have already implemented the process of documenting all collection efforts for election payments by contracted municipalities.

AUDIT FINDING 14: Review of Elections Cost Calculations by Elections Director or Alternative Designee Not Documented.

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| RECOMMENDATION 14.1 | | |
| We recommend that management establish and implement a formal process for documenting management review of municipal election cost amounts, accrued amounts, as well the municipal amounts billed on invoices. | | |
| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
| Agree | Prior to invoicing municipalities and service districts for the 2025 election | Lannie Chapman, Clerk, Nikila Venugopal, Chief Deputy Clerk, Tom Reese, Election |

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| | | Director, and Ann Stoddard, Fiscal Manager |
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Narrative for Recommendation 14.1 including action plan.

As we have noted above, one of the general priorities of this administration is ensuring appropriate separation of duties, so that multiple layers of oversight, transparency and accountability can exist. Going forward, at least one person in senior management, consisting of the Clerk, Chief Deputy Clerk, or Election Director, will review cost amounts and election invoices, as prepared by the Fiscal Manager. Such review will be documented.

AUDIT FINDING 15: Election Cost Calculation Spreadsheet Not Protected and Changes Made Are Not Tracked.

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| RECOMMENDATION 15.1 | | |
| We recommend that management implement an audit log or log of changes made to the election cost calculations spreadsheet. | | |
| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
| Agree | 12/31/24 | Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 15.1 including action plan.

We will work with IS to begin thinking through a solution for some form of audit log. As the election cost calculation master spreadsheet encompasses a vast amount of data and is constantly being updated, we would be grateful for the opportunity to work alongside the Auditor’s team to develop a solution that satisfies this recommendation and is practicably and financially viable.

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| RECOMMENDATION 15.2 |
| We recommend that management implement password protect measures over the election costs spreadsheet. |

| Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and Title of specific point of contact for implementation |
|--|--|---|
| Agree | Completed | Ann Stoddard, Fiscal Manager |

Narrative for Recommendation 15.2 including action plan.

We have worked with IS to create a limited-access folder for the election costs master spreadsheets and will password protect our election cost spreadsheet for 2025.

We thank you for your time and effort in preparing this audit report.

Sincerely,



Lannie Chapman
Salt Lake County Clerk