



# **OFFICE OF INTERNAL AUDIT**

---

## **REPORT TO THE BOARD OF SUPERVISORS**

### **PINAL COUNTY RECORDERS TRANSITION AUDIT**

**Kate Witek, CIA, CRMA, CLEA**  
Sr. Internal Auditor

**Alyssa Unger**  
Internal Audit Analyst

**April 2013**

## TABLE OF CONTENTS

Executive Summary	3
Overall Conclusion	3
Audit Scope and Methodology	5
Background	6

### Audit Observations and Recommendations

A. Complete and accurate financial records	7
B. Comprehensive written policies and internal standard operating procedures	7
C. Protection and safeguarding of assets	8
D. Technology training for employees	9
E. Vehicle Replacement Policy	11
F. PCPM	11
Attachment: Management Response and Action Plan	12

## **Executive Summary**

The Pinal County Office of Internal Audit has completed a transition audit of the Pinal County Recorder's office. The audit was approved by the Pinal County Board of Supervisors (BOS) on February 7, 2013, and included in the FY 2012-2013 Internal Audit Plan. Transition audits are commonly performed to help ensure accountability over County assets during administration changes.

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

The **overall objective** of this audit was:

To determine whether internal controls in the Recorders office are appropriate to affect an orderly transition. In addition to this transition, the Recorders Office assumed the responsibility for the operation and administration of the Pinal County Election office, per a Memorandum of Understanding (MOU) approved by the Board of Supervisors on January 30, 2013.

The Recorder has requested the Office of Internal Audit include the Elections department integration in the transition audit. As such, all objectives included both departments.

Specific **audit objectives** were to:

- ✓ Determine if all financial records (including travel records, purchases and P-cards, cash funds, budgets, etc.) were complete and accurate at the date of transition.
- ✓ Determine if access to County information systems was appropriately restricted for all employees separated from Pinal County service.
- ✓ Determine if access to County systems was appropriately granted for all new employees.
- ✓ Review controls related to the recent merger of the Election department into the Recorder's office (information systems access for separated employees, data authentication, financial records, assets, and equipment inventory)
- ✓ Review controls related to the reporting and protection of assets and equipment (inventory and disaster recovery) and verify all assets and equipment were safeguarded during the transition
- ✓ Verify performance measurements (PCPM) for the Recorders office and the Election office.

## **Overall Conclusion**

Our overall conclusion is internal controls in the Recorder's office were appropriate to maintain an orderly transition. Additionally, the merger of the Election department into the Recorders office was accomplished in accordance with county policies; with the following exceptions:

- Elections office has not developed comprehensive, written internal polices and standard operating procedures for all election functions.

- Additional employee training will be needed to maintain the high level of skills required for ever-changing technology
- Additional safeguards are needed to protect assets during elections and storage

In addition to these recommendations, it was determined Pinal County lacks a comprehensive vehicle replacement policy. This information will be included in the FY2013-2014 county-wide risk assessment process to be considered for further review.

*Our recommendations include:*

1. *Internal Audit recommends the Elections division develop detailed written policies and standard operating procedures for all internal functions.*
2. *Internal Audit recommends the Elections division consider developing policies and procedures for election equipment tracking and inventory including:*
  - *A list of all equipment with maintenance and repair history*
  - *Using a bar-coding system to track the location of voting system equipment.*
3. *Internal Audit recommends ongoing training is provided to a sufficient number of Elections division employees to obtain, and maintain, the skills needed to continue to operate evolving election technologies.*

We would like to thank the management and staff of the Pinal County Recorder's Office, and Election department staff, for their assistance and cooperation during the course of this audit. The following report provides additional details of our audit observations and recommendations.

## **AUDIT SCOPE AND METHODOLOGY**

The following methodologies were used to complete our examination:

- Review all termination documentation, including access to records, doors, badges, systems, etc. was properly restricted in a timely manner.
- Review and verify all new employee system access and access to sensitive records is properly granted.
- Review and verify inventory property records for all involved offices
- Review and analyze all employee travel claims
- Review and verify all P-card purchasing records
- Review all funds and accounts and analyze disbursements over the past fiscal year.
- Interview employees in the Records office to discuss transition processes
- Interview employee in the Election department to discuss transition practices
- Tour facilities to verify access and general conditions.
- Validate performance measurement reporting
- Review Election department written policies and procedures
- Determine personnel files for terminated employees and determine if they are complete and accurate
- Review department budgets and ensure expenditures are appropriate for elapsed timeframe (62% of the fiscal year)

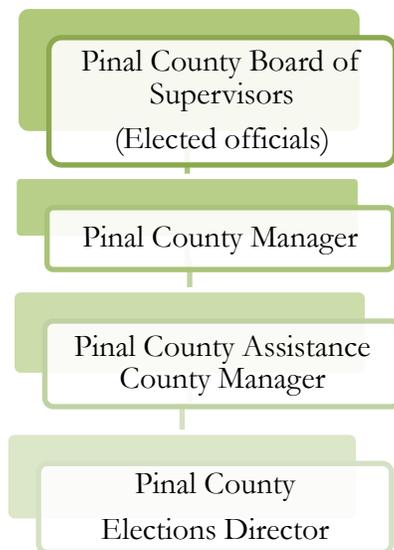
## **BACKGROUND**

The Pinal County Recorder (PCRO) is an elected official serving four year terms without term limits. Arizona County Recorders are statutorily mandated to record and maintain the following: deeds, mortgages, powers' of attorney, new plats, leases, liens, and all other instruments of records associated with these documents. All of the information maintained by the PCRO is considered public record and PCRO charges the public for the recording, retrieving and copying of these documents. PCRO has 23 fulltime employees and an annual operating budget of \$2,057,702. <sup>1</sup> Additional duties assigned by statute to the Recorder include Voter Registration and Early Voting.

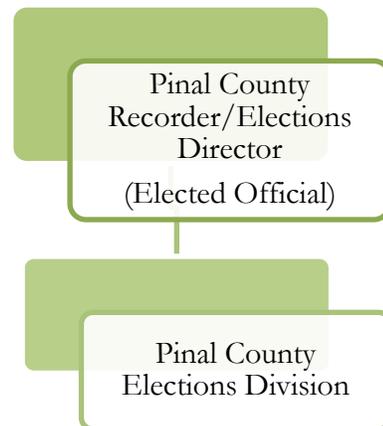
Until recently, other election duties were performed by the Pinal County Elections department. The Elections department was managed by an Elections Director, hired by the County Manager, under the reporting authority of the Pinal County Board of Supervisors (Board). A.R.S. 16-405 directs "The board of supervisors or other authority in charge of elections ..." On January 9, 2013, the Board voted to designate the County Recorder in charge of elections, and realigned the Elections department under the reporting authority and management of the Pinal County Recorder; essentially merging all election functions in one office. Prior to the merger the Elections department had five (5) employees, and a budget of \$1,496,158,<sup>2</sup> including grant funds.

The Elections process is highly regulated with 351<sup>3</sup> state statutes regulating procedures. There are 65 election statutes that mention the County Recorder.

### **BEFORE MERGER**



### **AFTER MERGER**



<sup>1</sup> [http://www.pinalcountyz.gov/Departments/BudgetOffice/Documents/Downloads/FY%202012-2013%20Adopted%20Schedules\\_revised%208.15.12.pdf](http://www.pinalcountyz.gov/Departments/BudgetOffice/Documents/Downloads/FY%202012-2013%20Adopted%20Schedules_revised%208.15.12.pdf)

<sup>2</sup> [http://www.pinalcountyz.gov/Departments/BudgetOffice/Documents/Downloads/FY%202012-2013%20Adopted%20Schedules\\_revised%208.15.12.pdf](http://www.pinalcountyz.gov/Departments/BudgetOffice/Documents/Downloads/FY%202012-2013%20Adopted%20Schedules_revised%208.15.12.pdf)

<sup>3</sup> A.R.S. 16-1001 to 16-961

## **AUDIT OBSERVATIONS AND RECOMMENDATIONS**

### **A. Complete and accurate financial records**

Internal Audit reviewed all financial and personnel records for both the Recorders office and the Election department and found substantial compliance with Pinal County policies on p-card purchases with the following exceptions:

- One business meal in the Elections department was not pre-approved and signed by the Assistant County Manager (11/9/12) and one approval for an event by the Assistant County Manager was after the event (10/18/12)

Additionally, when an employee begins Pinal County employment, or is separated from Pinal County employment, the affected department Director, or designee, is expected to file a System Security Administration Form and a Door Access Request Form with the Information Technology department (IT). These forms authorize IT to appropriately enable or disable employee access to County systems and facilities.

The Recorder's office employee's access County facilities using ID badges appropriately activated by the IT department. Election department employees access County facilities using keys. Access to computer systems in the Recorders office is activated, or deactivated, by the IT department. Computer systems in the Election department are separate from County systems and access to Election department systems is controlled by system sign-on and restricting access to computers within the main Election facility.

Internal Audit requested, and reviewed, all status changes for system and door access within both departments (Recorder and Elections) for the past fiscal year, both before and after the transition and merger. No exceptions were noted.

Also, we confirmed with Election and County Recorder staff that all County property and equipment, including keys to County buildings, were appropriately returned for all separated employees in a timely manner.

***No exceptions noted***

### **B. Comprehensive written policies and internal standard operating procedures**

The election process is highly regulated by federal and state law. The Arizona Secretary of State (SOS) has provided a uniform Elections Procedure Manual, as required by A.R.S. 16-452. Specifically, this statute requires, "... the secretary of state shall prescribe rules to achieve and maintain the maximum degree of correctness, impartiality, uniformity and efficiency on the procedures for early voting and voting, and of producing, distributing, collecting, counting, tabulating and storing ballots." The SOS Elections Procedures Manual is three-hundred and eighty-eight (388) pages long and includes detailed instructions for all Election activities.

In addition to this manual the Pinal County Elections department developed an *Instruction and Reference Manual for Precinct Poll Workers*. The manual provides detailed instruction for all Pinal County poll workers.

Internal Audit also reviewed all Intergovernmental Agreements executed by the Records Office in 2011, and tested billing invoices for election services by the Elections department in 2011 and 2012, for compliance to Pinal County Ordinance #052610-Election Department Fee Schedule and found no exceptions.

However, during our discussion with Elections department staff, we determined the department has not developed internal standard operations policies and procedures (SOP's) for all election functions. SOP's provide detailed, written instructions concerning the performance of specific department functions, and explain who is responsible, for what, when, and why. Procedures would include; but not be limited to, details concerning personnel processes, establishing intergovernmental agreements (IGA's), billing procedures for IGA's, maintenance schedules for vehicles, preparing equipment for elections and storage, supply management, etc.

While the recent transition and merger of Elections and the Recorder's office occurred without any major difficulties identified; and the Election department conducted successful city elections two months after the merger, this was largely due to the availability of experienced staff. Detailed internal written policies and procedures would help the department maintain well-organized and efficient operations, regardless of staff experience.

***Recommendation***

- 1. Internal Audit recommends the Elections division develop detailed written policies and standard operating procedures for all internal functions.***

**C. Protection and safeguarding of assets**



Each election, hundreds of pieces of voting equipment are taken out of storage, cleaned up, and distributed to polling sites all over Pinal County. After the election the equipment is returned and, currently, is stored at the Elections department main warehouse, or the former Juvenile Detention facility, both in Florence, Arizona.



The sensitive electronic equipment is kept at the main warehouse, in a clean and climate controlled building. Manufacturers recommended storage temperatures for this equipment are 50 to 100 degrees fahrenheit.



The rest of the equipment is kept at the Juvenile Detention (JD) facility. The JD facility is not climate controlled, has no running water, has not been cleaned in years and does not provide safe and suitable working conditions. At this time the Recorder is considering a move to the former County Public Health building. The building offers a safer, cleaner and climate controlled environment.

The number of pieces of equipment used varies for each election. For the 2012 Primary and General Elections the Pinal County Election department set up ninety-eight (98) election polling sites. The department has one hundred and eighteen (118) TSX units and one

hundred and thirty-two (132) optical scanning units to ensure there are enough working machines for any election. Each site was provided at least one TSX, (handicap accessible) voting machine and one Accu-vote optical scanner. Additional equipment; such as, traffic cones, voting tables, etc. are also distributed to each site.

The U. S. Election Assistance Commission, elections management guidelines advises, “Physical security of all voting system equipment and peripheral devices must be maintained at all times,” and recommends:

- ✓ Equipment- Maintain a list of equipment, serial numbers, and quantity in the storage facility. The storage facility should have monitored security and fire alarm protection.
- ✓ Machine Checkout- Verify all voting devices are returned to storage, confirm that devices have not been tampered with during transportation and sign off on receipt of the voting devices.
- ✓ Usage History – Maintain a history of elections for which each voting device has been used.
- ✓ Repair History- Maintain a history of repairs to individual voting devices.

The guidelines suggest using a barcoding system to track the location of voting system equipment.



### ***Recommendation***

***2. Internal Audit recommends the Elections division consider developing policies and procedures for election equipment tracking and inventory including:***

- *A list of all equipment with maintenance and repair history*
- *Using a bar-coding system to track the location of voting system equipment.*

### **D. Technology training for employees**

A 2008 CalTech/MIT study of the voting process noted “...a major change since (the year) 2000 has been the replacement of outdated voting systems; principally punch cards and lever machines, with more reliable optical-scan or electronic voting machines. Today roughly 60 percent of counties across the United States use optical-scan machines, and 40 percent use other forms of electronic equipment. (A small set of counties still hand-count paper ballots.)<sup>4</sup>” Pinal County uses optical scanners.

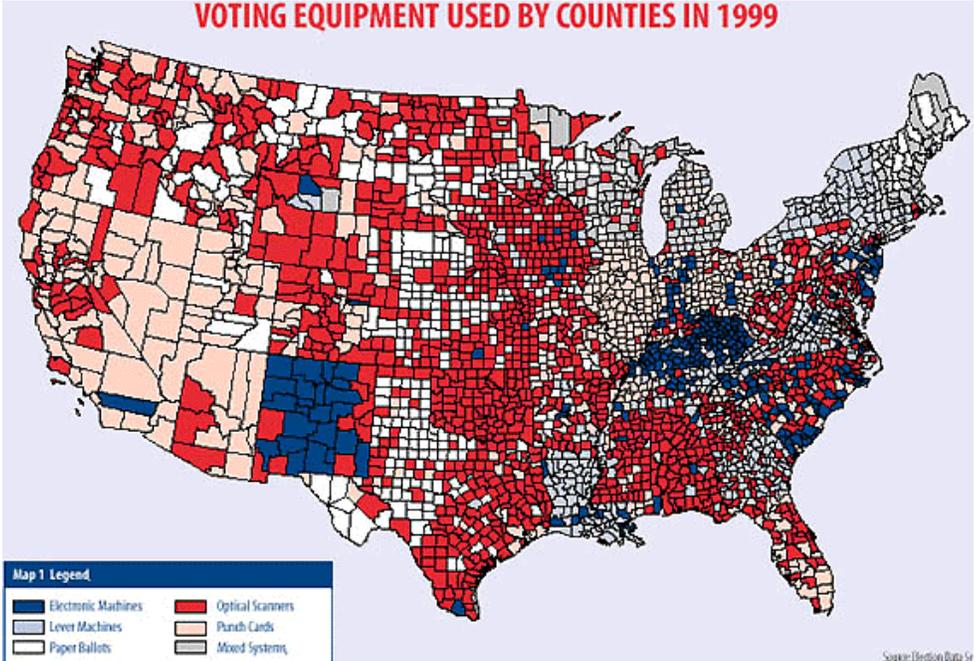
The Help America Vote Act (HAVA), passed by the U.S. Congress in 2002, and billions of federal grant dollars, dramatically accelerated the transformation of voting system technology across the

---

<sup>4</sup> <http://blog.sfgate.com/techchron/2012/10/19/caltech-and-mit-show-technology-improves-democracy/>  
[http://www.vote.caltech.edu/sites/default/files/Voting%20Technology%20Report\\_final.pdf](http://www.vote.caltech.edu/sites/default/files/Voting%20Technology%20Report_final.pdf)

country. The CalTech/MIT study also stated the, “Computerization of election administration will continue to proceed...”

Evolving technologies, and ever-changing federal and state election regulations, have necessitated extensive and continuous election staff training. The maps below compare voting technology changes in counties from 1999 to 2008. Counties using optical scanners are in red.



During our discussions with Elections and Recorder staff, Internal Audit determined, there is currently a very limited number of employee's with the skills needed to effectively use existing technology. Ongoing employee training, and cross-training, is likely a critical need.

### ***Recommendation***

- 3. Internal Audit recommends ongoing training is provided to a sufficient number of Elections division employees to obtain, and maintain, the skills needed to continue to operate evolving election technologies.***

### **E. Vehicle Replacement Policy**

The Recorder and Election office Strategic Business Plans include a section titled, "Vehicle Management Activity," The section discusses providing "...effective and safe vehicles." While safety is always important; maintaining reliable vehicles to transport equipment and staff on Election Day, in a County with 5,374 square miles and 102 polling sites, is essential.

Internal Audit reviewed the current capital asset inventory list for both offices and found the Elections department maintains four vehicles. The oldest vehicle still in use is a sixteen (16) year old truck. The department also maintains an eleven (11) year old van and two (2) relatively "new" SUV's, purchased in 2006.

Government Fleet,<sup>5</sup> and online fleet management website, suggests one way to prepare for vehicle replacement is to set up as an internal service program with formal vehicle replacement policies. A March 2004 article on the website, entitled, "Vehicle Replacement Policy- the Lifeline of Government Fleet Management" states, "A formal vehicle replacement policy is a necessary tool ... to control funding and replacement cycles for vehicles and equipment."

Pinal County does not have a formal vehicle replacement policy providing guidance to departments with aging vehicles.

***There is no recommendation. The issue of a county-wide vehicle replacement process will be included in the county-wide risk assessment process.***

### **F. PCPM**

Internal Audit verified the validity of the process the Elections department uses to report Pinal County Performance Measurement (PCPM) information. The process used to report PCPM information for the Recorder's office and the Voter Registration process was not reviewed at this time.

---

<sup>5</sup> <http://www.government-fleet.com/article/story/2004/03/vehicle-replacement-policy-the-lifeline-of-government-fleet-management.aspx?prestitial=1>

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
<p>1. <i>Internal Audit recommends the Elections division develop detailed written policies and standard operating procedures for all internal functions.</i></p>	Yes	<ol style="list-style-type: none"> <li>1. Develop policies and procedures for the Elections division.</li> <li>2. We will develop the outline and structure in the first phase of the project.</li> <li>3. We will write a detailed policies and procedures manual.</li> </ol>	March 2014	Virginia Ross
<p>2. <i>Internal Audit recommends the Elections division consider developing policies and procedures for election equipment tracking and inventory including:</i></p> <ul style="list-style-type: none"> <li>▪ <i>A list of all equipment with maintenance and repair history</i></li> <li>▪ <i>Using a bar-coding system to track the location of voting system equipment</i></li> </ul>	Yes	<ol style="list-style-type: none"> <li>1. We have prepared a list of all equipment and the maintenance and repair history.</li> <li>2. A bar coding system has been approved and is on order.</li> <li>3. The data element tables will be developed for all equipment that needs to be inventoried.</li> <li>4. We will deploy the system and input all categories of items to be tracked and inventoried.</li> </ol>	August 2013	Damon Hampton
<p>3. <i>Internal Audit recommends ongoing training is provided to a sufficient number of Elections division employees to obtain, and maintain, the skills needed to continue to operate evolving election technologies.</i></p>	Yes	<ol style="list-style-type: none"> <li>1. Election certification training is scheduled to be provided by the AZ SOS. Four individuals are scheduled to be certified.</li> <li>2. Election re-certification training is scheduled to be provided by the AZ SOS. All certified individuals will attend.</li> <li>3. Elections database software training will be scheduled. The budget is targeted to deliver the training to four individuals.</li> </ol>	October 2013	Virginia Ross