



**A Report to the
Audit Committee**

Mayor
John Cooper

**Davidson County Election
Commission
Administrator of Elections**
Jeff Roberts

Audit Committee Members
Kevin Crumbo
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Metropolitan
Nashville
Office of
Internal Audit

Audit of the Davidson County Election Commission Operations

September 4, 2020

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EXECUTIVE SUMMARY

September 4, 2020



Why We Did This Audit

The audit was conducted due to the importance of ensuring the integrity and fairness of elections conducted in Davidson County.

What We Recommend

- Enhance management oversight of poll worker precinct assignments to ensure compliance with State of Tennessee election law requirements.
- Enhance controls to avoid paying sales tax.
- Leverage technology to manage employee leave time.

BACKGROUND

The mission of the Davidson County Election Commission is to provide free and fair local, state, and federal elections to every eligible citizen of Davidson County, so they have equal access to the election process and exercise their right to vote. The governing Election Commission consists of five commissioners who appoint the Administrator of Elections, approve election plans, certify all voting machines prior to each election, and certify election results. The Administrator of Elections oversees all aspects of the election cycle and runs the departmental operations.

The annual operating budgets for the Davidson County Election Commission in fiscal years 2017, 2018, and 2019 were \$2.86 million, \$2.91 million, and \$2.98 million respectively.

OBJECTIVES AND SCOPE

The objectives of this audit are to determine if:

- Controls are in place to ensure the integrity of the election process and compliance with State of Tennessee election laws.
- Controls are in place to ensure fiscal resources are properly managed.
- Recommendations in the April 2013 audit performed by the Metropolitan Office of Internal Audit were implemented.

The scope of this audit included all activity from October 1, 2016, to September 30, 2019.

WHAT WE FOUND

The Davidson County Election Commission has controls in place to ensure elections are conducted according to applicable laws and regulations. Policies and procedures are in place to ensure sound financial operations.

However, poll worker assignment could be improved to better comply with State of Tennessee election law. Additionally, sales tax exemptions should be applied more diligently and manual errors in recording employee leave time may be avoided with the use of technology.

GOVERNANCE

The Davidson County Election Commission is funded by the Metropolitan Government of Nashville and Davidson County and is regulated by Tennessee state law. Under Tennessee Code Annotated Title 2 - Elections, the governing Election Commission is to consist of five commissioners appointed by the Tennessee State Election Commission. Each commissioner will serve a two-year term. Three of the commissioners are members of the majority party of the Tennessee General Assembly, and two of the commissioners are members of the minority party. The governing Election Commission ensures compliance with election laws while operating within Metropolitan Nashville Government finance regulations.

The Administrator of Elections is appointed by the governing Election Commission. The Administrator of Elections oversees the full election process departmental operations and administration. The representatives of each political party on the governing Election Commission jointly appoint a voting machine technician who is a member of their respective political party. These two voting machine technicians are responsible for the maintenance and storage of all voting machines. The technicians are also involved in conducting and providing election results.

BACKGROUND INFORMATION

The Davidson County Election Commission serves all eligible voters in Davidson County to exercise their right to vote in local, state, and federal elections. The election process begins with voter registration. Davidson County residents may register by mail, online through the Tennessee Secretary of State, Division of Elections website, or in person at the Davidson County Election Commission's office. A voter registration management system used by the Davidson County Election Commission maintains all voter information such as name, address, date of birth, and social security number.

Before the election, departmental staff design the paper ballot and the voting machine ballot. Both the Tennessee Secretary of State, Division of Elections and the governing Davidson County Election Commission approve the ballots. The governing Election Commission will appoint the provisional counting board and absentee counting board. Departmental staff recruit, interview, screen, and train poll workers. Poll worker training is administered based on election day roles. Department staff oversee any voting activities happening before the election day, such as early voting, absentee voting, and other special cases like nursing home, prison, and hospital voting. Machine technicians test and prepare the voting machines to ensure they are ready for election day. Preparation includes assigning voting machines to each precinct, performing logic and accuracy tests, securing voting machines with prenumbered seals, and scheduling and delivering voting machines to polling sites.

Staff assign poll workers to each precinct based on the number of registered voters, required number of voting machines at the polling site, and other law requirements. On election day, each designated poll official is responsible for ensuring his or her precinct's election goes as planned. The poll workers sign in and out on time sheets. At the end of the election day, two poll workers from different political parties will together return the supplies and sealed flash drive with election data. At the Davidson County Election Commission's main office, votes are tabulated, and a post-election audit is conducted to ensure the accuracy and integrity of the election. Commissioners will then canvass and certify the election results to make them official.

The Davidson County Election Commission conducted 14 elections between October 1, 2016, and September 30, 2019. Exhibit A shows the number of registered voters, number of registered voters who voted, and the turnout percentage for each election.

Exhibit A – Election Turnout by Election from October 2016 – September 2019

Date	Election	Registered Voters	Number of Voters	Percent Turnout
11/08/16	Presidential, State, and City	408,343	252,926	62%
08/15/17	District 33 Special Election	11,297	1,066	9%
09/19/17	District 33 Special Runoff Election	11,437	1,196	10%
03/20/18	Berry Hill Municipal Election	1,218	25	>1%
05/01/18	County Primary and Transit Referendum Election	398,363	125,108	31%
05/24/18	Special Election, Mayor and Council District 1	398,363	82,494	21%
06/28/18	Special Runoff Election, Council District 1	10,995	1,849	17%
08/02/18	State Primary and County General, Oak Hill Municipal Election	398,363	114,092	29%
09/06/18	Vice Mayor Runoff Election	398,363	30,214	8%
11/06/18	State and Federal General Election	428,210	246,044	57%
02/12/19	Special Election, Council District 29	11,670	912	8%
03/19/19	Special Runoff Election, Council District 29	11,670	1,099	9%
08/01/19	Metro Nashville General Election	433,317	102,446	24%
09/12/19	Metro Nashville General Runoff Election	433,317	90,835	21%

Source: Davidson County Election Commission

The Davidson County Election Commission procures most goods and services through Metropolitan Nashville Government’s iProcurement. The primary vendor used is Election Systems & Software Inc. as all new voting machines and software support services were purchased from this company. Credit card usage is minimal and mostly used for on-the-clock employee food purchases during the election period. Exhibit B shows the top ten paid vendors in the audit period.

Exhibit B – Top Ten Vendors by Amount from October 2016 – September 2019

Vendor	Amount
ELECTION SYSTEMS & SOFTWARE INC	\$4,967,849
AMH - AUTOMATED MATERIAL HANDLING	41,604
RICOH USA INC	41,574
EASYVOTE SOLUTIONS LLC	36,400
MYOFFICE PRODUCTS	22,091
AXIS DIRECT INC	16,395
NASHVILLE ELECTRIC SERVICE CO	14,121
PIEDMONT NATURAL GAS CO	11,149
HOME DEPOT	9,842
VERIZON WIRELESS TENN PARTNERS	9,558

Source: Oracle E-Business Suite R12

OBJECTIVES AND CONCLUSIONS

1. *Are controls in place to ensure the integrity of the election process and compliance with State of Tennessee election laws?*

Generally, yes. The Davidson County Election Commission had established procedures and controls to ensure elections ran as management intended as well as complied with State of Tennessee election law. A review of quantity of voting machines and polling officials at each precinct showed State of Tennessee election laws were being followed. However, opportunities exist to strengthen controls around poll worker assignments by party affiliation at each precinct. (See Observation A.)

2. *Are fiscal resources properly managed?*

Generally, yes. Controls were in place to ensure compliance with Metropolitan Nashville Government Department of Finance and Human Resources Department policies.

- 2.1 *Are expenditures incurred complete, prudent, and for a valid business purpose?*

Generally, yes. A randomly selected sample of 25 iProcurement payments and 25 credit card payments were reviewed in the audit period. No exceptions were noted within the iProcurement payments. However, the review of credit card transactions showed the sales tax exemption could be applied more diligently. (See Observation B.)

- 2.2 *Are payroll expenditures for actual time worked and properly recorded?*

Yes. Eight payroll periods including both regular employees and poll workers were selected to review. Time sheets for regular employees, poll workers' sign in and out sheets, pay categories, and pay rates were compared against payroll records to ensure accuracy and proper approval. No exceptions were noted.

- 2.3 *Is leave time monitored and tracked?*

Yes. Leave time of four employees was reviewed to ensure the proper approval of leave time taken and the accuracy of the leave balances. Leave time approval and related payroll records were compared with each employee's leave time master file. A recording error was found on one employee's leave time master file. (See Observation C.)

- 2.4 *Are valuable assets tracked and managed?*

Yes. The Davidson County Election Commission currently has 788 ballot marking devices, 250 scanners, and 800 electronic poll books, which are generally referred to as voting machines. A sample of 25 ballot marking devices and scanners were randomly selected to verify. Each of the selected machines was physically identified by tracing the recorded serial number to the respective identification tag embedded on the machine. No exceptions were noted. All 800 electronic poll books were packed in individual hard cases and were physically counted. A sample of 20 randomly selected electronic poll books were taken out of the case so all the main components could be physically identified. No exceptions were noted.

3. *Were accepted recommendations from the previous Davidson County Election Commission Audit report implemented?*

Yes. The Office of Internal Audit's Davidson County Election Commission Audit in April 2013 included a total of 20 accepted audit recommendations. Of the total recommendations, 16 were operational in nature and reviewed within this audit. The implementation status of each recommendation was discussed with management and then verified through observation, staff interviews, or test work. All operational recommendations were fully implemented.

AUDIT OBSERVATIONS

Internal control helps entities achieve important objectives and sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (COSO)*, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision making and governance of the organization. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

Observation A – Poll Worker Assignment

Poll workers are assigned to each precinct during an election based on the number of registered voters and number of required voting machines per voting site. State law requires poll workers be from different political parties and limits the number of voting machines each operator can oversee. A total of 32 precincts were randomly selected from the August 2019 Metropolitan Nashville General Election. Two precincts did not have poll workers from different political parties. As nearly as practicable, poll worker assignments should reflect a balance of political parties to reduce the risk of perceived unfairness.

Criteria:

- Tennessee Code Annotated § 2-4-105 (a) - *Election Officials and inspectors-Limitation on number from the same party*
- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- COSO, Control Activities—Principle 12 – The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

Assessed Risk Rating:

Medium

Recommendation for management of the Davidson County Election Commission to:

Implement procedures to evaluate precinct needs and assign poll workers based on party affiliation.

Observation B – Sales Tax Exemption

An analytical review of all credit card transactions available during the audit period was conducted. Ten transactions were tested to ensure proper business purpose and the application of sales tax exemption. Two of the ten credit card charges paid sales tax for a total amount of \$13.68. The Davidson County Election Commission terminated the use of the credit card shortly after the September 2019 election. Lack of oversight on sales tax exemption requirements increases the risk of unnecessary waste of government funds.

Criteria:

- Metropolitan Nashville Treasury Policy #19 – Credit Card.
- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- COSO, Control Activities—Principle 12—The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

Assessed Risk Rating:

Low

Recommendation for Management of the Davidson County Election Commission to:

Ensure employees provide the local sales tax exemption form and are instructed not to pay local sales tax on purchases.

Observation C – Leverage Technology in Leave Time Management

Employee leave time was tracked and managed by using Excel spreadsheets. Employees filled out time sheets and emailed them to supervisors for approval. Supervisors forwarded the approved time sheets to the Finance Manager to process payroll and record leave time for each employee. During a review of leave time documentation between October 1, 2016, and September 30, 2019, a difference was found between one employee's time sheet record and the employee's master leave file record. The error appears to be due to manual processing. Unavoidable human error can cause inaccuracies of leave time balances. Employee time management software will make the recording process automatic and less time consuming.

Criteria:

- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Assessed Risk Rating:

Low

Recommendation for Management of the Davidson County Election Commission to:

Explore the possibility of leveraging technology in employee leave time management.

GOVERNMENT AUDITING STANDARDS COMPLIANCE

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 observations and conclusions based on our audit objectives.

METHODOLOGY

To accomplish our audit objectives, we performed the following steps:

- Studied applicable election laws and regulations.
- Interviewed key personnel within the Davidson County Election Commission.
- Evaluated internal controls currently in place.
- Performed analytics on election statistics, credit card transactions, and payments.
- Reviewed sample selections to determine the effectiveness of internal controls.
- Considered risk of fraud, waste, and abuse.

AUDIT TEAM

Nan Wen, CPA, In-Charge Auditor

Lauren Riley, CPA, CIA, ACDA, CMFO, Metropolitan Auditor

APPENDIX A – MANAGEMENT RESPONSE AND ACTION PLAN

**METROPOLITAN
GOVERNMENT OF NASHVILLE
AND DAVIDSON COUNTY**



DAVIDSON COUNTY ELECTION COMMISSION
PERMANENT REGISTRATION OFFICE
POST OFFICE BOX 650
NASHVILLE, TN 37202
(615) 862-8800 – Office
TTY—1-800-848-0298 or Relay 711 ♿
WWW.NASHVILLE.GOV/VOTE

August 31, 2020

Ms. Lauren Riley
Metropolitan Auditor
Office of Internal Audit
404 James Robertson Pkwy
Nashville, TN 37219

Re: Audit of Davidson County Election Commission

Dear Ms. Riley,

This letter acknowledges receipt of the interim draft report for the Audit of the Davidson County Election Commission. We have reviewed your observations and recommendations. Please find included with this memo our management response and action plan.

Regards,

A handwritten signature in blue ink, appearing to read "Jeff Roberts".

Jeff Roberts
Administrator of Elections

APPENDIX A – MANAGEMENT RESPONSE AND ACTION PLAN

We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches and we encourage them to do so when providing their response to our recommendations.

	Recommendations	Concurrence and Action Plan	Proposed Completion Date
<i>Recommendations for management of the Davidson County Election Commission to:</i>			
M	A - Implement procedures to evaluate precinct needs and assign poll workers based on party affiliation.	Accept - We Concur. While the tested August 2019 election was non-partisan, the importance of assigning poll workers by party remains a high priority. We are currently undertaking a poll worker recruitment effort.	November 2020
L	B - Ensure employees provide the local sales tax exemption form and are instructed not to pay local sales tax on purchases.	Accept - We Concur. The Metro credit card was terminated shortly after the September 2019 election. Even with tax exempt letter, fast food restaurants were not always consistent in exempting Metro from the sales tax. For this reason, we terminated the card and staff reimbursed the \$13.68 to Metro.	Completed in Fall of 2019
L	C - Explore the possibility of leveraging technology in employee leave time management.	Accept - We Concur. We have implemented a policy of giving each employee an opportunity to review their leave balance following each pay period and included a statement to report any discrepancies to the Finance Manager. We will explore technology options with Metro Finance and Metro HR.	Winter of 2021

APPENDIX B – ASSESSED RISK RANKING

Observations identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance or reputational impact the issue identified has on the Metropolitan Nashville Government. Items deemed “Low Risk” will be considered “Emerging Issues” in the final report and do not require a management response and corrective action plan.

Rating	Financial	Internal Controls	Compliance	Public
HIGH	Large financial impact >\$25,000 Remiss in responsibilities of being a custodian of the public trust	Missing, or inadequate key internal controls	Noncompliance with applicable Federal, state, and local laws, or Metro Nashville Government policies	High probability for negative public trust perception
MEDIUM	Moderate financial impact \$25,000 to \$10,000	Partial controls Not adequate to identify noncompliance or misappropriation timely	Inconsistent compliance with Federal, state, and local laws, or Metro Nashville Government policies	Potential for negative public trust perception
LOW/ Emerging Issues	Low financial impact <\$10,000	Internal controls in place but not consistently efficient or effective Implementing / enhancing controls could prevent future problems	Generally complies with Federal, state, and local laws, or Metro Nashville Government policies, but some minor discrepancies exist	Low probability for negative public trust perception
Efficiency Opportunity	An efficiency opportunity is where controls are functioning as intended; however, a modification would make the process more efficient			