Audit of Election Commission Administration Process Controls and Compliance

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November 2015

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November 3, 2015

Honorable Tom Barrett, Mayor
The Members of the Common Council
City of Milwaukee
Milwaukee, WI 53202

Dear Mayor Barrett and Council Members:

Internal Audit partnered with the Titus Group to perform an audit of the Election Commission's administrative process controls and compliance. The audit included an information technology component for the Poll Worker Database Application. The database application is supported by the Information and Technology Management Division of the Department of Administration (ITMD). The attached report summarizes the results.

Overall, the audit concluded that the internal controls in place are adequately designed and operating effectively. The report makes five recommendations for the Election Commission. Audit findings are discussed in the Detailed Findings and Recommendations section of this report, which is followed by management's response.

Appreciation is expressed for the cooperation extended to the auditors by the staff of the Election Commission and the ITMD.

Sincerely,

Stacey Mazmanian, CIA, CGAP
Audit Manager

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Audit of Election Commission Administration Process Controls and Compliance

A report on risks and controls within the Election Commission's election administration processes

Prepared by:
Titus in collaboration with City of Milwaukee Internal Audit
Milwaukee, Wisconsin

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Executive Summary

Titus, in collaboration with City of Milwaukee Internal Audit, is pleased to provide this report regarding the top risks of the City of Milwaukee Election Commission and recommended remediation activities for 2015.

The City of Milwaukee engaged Titus to perform a collaborative audit of the Election Commission's administrative process controls and compliance. Titus provided overall management and execution for the audit, with internal control testing and other support provided by the City Internal Audit team.

The audit was designed to identify risks and evaluate key controls within the Election Commission's administrative processes and to provide recommendations in areas with opportunities to enhance the control environment and/or provide process improvements. The objectives of the audit were to:

1. Determine whether the City of Milwaukee's Election Commission is in compliance with the Government Accountability Board (GAB) guidelines.
2. Determine whether roles and responsibilities provide adequate separation of job duties throughout the election administration process.
3. Determine whether core business processes and employee job functions are properly documented and relate to current business operations; including candidate filings, campaign finance, etc.
4. To assess the adequacy of safeguarding and accountability over the poll worker database application, including change management, logical access, and information technology (IT) operations.

In presenting the results of our audit, we will start with a description of our methodology and an executive summary of the results.

Methodology

Our overall methodology is built on the COSO risk foundation, the Institute of Internal Auditors guidance (IIA) and Government Accounting Standards Board (GASB). The IT General Computer Control (ITGC) portion of the review is built on guidelines from the IT Governance Institute (ITGI) and Information Systems Audit and Control Association (ISACA). Our approach included interviews, process walkthroughs, inquiry, observation, testing, analysis and reporting.

Information collected and reviewed included the following:

- Existing process documentation for all significant Election Commission processes within the scope of the audit
- Election Commission policies and procedures
- Election Commission budget and supporting documentation
- Election Commission goals and objectives
- Relevant Election Commission compliance regulations (including Statutory and Federal)

- Reports, findings, etc., from independent compliance reviews for the previous five years
- Design documentation and other supporting documentation for the Poll Worker Database Application

Procedures and tests conducted included the following:

- Poll Worker Data Entry: Multiple tests were performed to verify completeness, accuracy, and validity of database application data versus original input documents.
- Poll Worker Training: Multiple tests were performed to verify that candidates have received training per internal policy and that only trained poll workers are eligible to participate in the elections.
- Time Keeping and Payroll: Multiple tests were performed to verify City status is appropriately recorded, Poll Worker payroll reflects accurate time worked and rate paid, Chief Inspector authorized time and pay, public Poll Worker Payroll does not include City employees, and segregation of duties does exist between the set-up of Poll Workers and posting of Poll Worker data sheets.
- Management Payroll Review: Multiple tests were performed to ensure that the internal process exists and is documented, and to ensure payroll detail submitted to Comptroller for payment was approved.

At the conclusion of testing, we created a written report detailing our analysis of the Election Commission administrative process and compliance key controls effectiveness and included recommendations for correcting identified weaknesses.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that the audit obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for the audit's findings and conclusions based on the audit objectives. Fieldwork was completed on August 14, 2015.

Election Commission Risks

The list below represents the top risk areas based on our assessment, and is specific to the Election Commission processes under review for the City of Milwaukee.

Segregation of Duties

Document Management

Payroll Data Entry

Payroll Administration

Policies and Procedures

Summary of Results

Poll Worker Data Administration

As stated above, the overall risk areas include five findings areas, Segregation of Duties, Document Management, Payroll Data Entry, Payroll Administration, and Policies and Procedures.

Segregation of Duties
Segregation of Duties is a challenge with small departments such as the Election Commission. There exists medium Segregation of Duties risk as the Poll Worker setup in the Poll Worker Database Application (including such items as Poll Worker application information, training date preferences, training schedule and poll assignment), changes to Poll Worker information in the Poll Worker Database Application (including such items as changes in status, availability and personal data), HRMS setup, and payroll and timekeeping entry is all performed by the Election Commission Coordinator. The medium risk translates to possible inaccurate payments and possible inaccurate Poll Worker data.

Effective Segregation of Duties represents a vital component of any organization's internal controls system. Segregation of Duties controls are designed to help prevent employees from committing errors or engaging in fraudulent activity.

Document Management
Document Management gaps exist primarily due to the manual nature of the data entry into the poll worker database application, the lack of reconciliation and lack of subsequent review of data inputs prior to each election. Controls gaps exist that could translate to inaccuracies in Poll Worker Data and Poll Worker Payroll Process. We consider this a Medium Risk, as control gaps exist when considered individually but collectively are relatively minor gaps.

Manual processes by nature, represent internal control risks, particularly if no mitigating controls exist such as reconciliation and management reviews.

Payroll Data Entry
Payroll data entry gaps exist primarily due to the fact that employee information is required to be entered manually, both into the Election Commission Poll Worker Database application and into the City of Milwaukee Human Resource Management System (HRMS). Any process with 100 percent manual data entry is considered at minimum a medium risk; in this case, manual data entry occurs twice, thus increasing the possibility of inaccurate data.

Payroll Administration
Gaps in the Payroll Administration area are primarily due to a highly inefficient process whereby each time a payroll cycle is run, a record is generated for all workers in HRMS whether they worked the specific election or not. Highly inefficient processes translate to potential data inaccuracies as well as inefficient use of system resources.

Policies and Procedures
There exists multiple policy and procedure gaps, as no formal policies and procedures exist for Candidate Operations, the Campaign Challenge Process and Candidate File Retention. Formal and effective policies and procedures are a key foundation for the control environment in an organization or department. They set expectations and tone of an organization/department and influence the control consciousness of employees.

We provided management with our findings and recommendations for comment. Management comments will be incorporated into this report and then designated as Final. Weaknesses identified during our audit are noted in the Detailed Findings and Recommendation section of this report.

Objectives, Scope, Approach, Goals

Objectives

The internal audit of the Election Commission was designed to identify risks and evaluate the key controls around the Poll Worker Database Application, Election Operations and Compliance with Government Accounting Board standards. Specific objectives included:

1. Determine whether the City of Milwaukee's Election Commission is in compliance with the Government Accountability Board (GAB) guidelines.
2. Determine whether roles and responsibilities provide adequate separation of job duties throughout the election administration process.
3. Determine whether core business processes and employee job functions are properly documented and relate to current business operations; including candidate filings, campaign finance, etc.
4. To assess the adequacy of safeguarding and accountability over the poll worker database application, including change management, logical access, and information technology (IT) operations.

Scope and Approach

The scope was broken into three primary components: Poll worker database application management, election commission operations, and ITGC as it relates to candidate filing and campaign finance reporting. The ITGC approach covered logical security and change management for the poll worker database application.

Our review excluded voter registration and the voter registration system, network connectivity, firewall settings, IT vendor contract and invoices, and voice data services.

The detailed findings and recommendations section details the results of the audit findings based on risk ranking from High to Low.

Goals

- Assess and analyze internal controls over Election Commission administration processes.
- Identify possible risk exposures relating to the Election Commission operations and information systems regarding the:
    - Reliability and integrity of financial and operational information
    - Effectiveness and efficiency of operations
    - Safeguarding of assets
    - Compliance with laws, regulations and contracts

Interviewees

A key activity of the Election Commission audit was the interview process. Interviews with key Business Owners are critical for gathering data for the assessment. The interviewees were pre-selected with the assistance of City of Milwaukee Internal Audit. The questions were consistent for the population of interviewees.

#	TITLE
1	Executive Director
2	Deputy Director
3	Election Worker Coordinator
4	Election Services Specialist

The Process – Identifying Risks

The core areas in our Risk Assessment process include data collection and data analysis.

Part 1: Data Collection

During the data collection process, our key objective is to gain inputs necessary to:

- ✓ Understand infrastructure
- ✓ Define and understand all critical assets
- ✓ Gain perspectives from stakeholders
- ✓ Assess the risk domains
- ✓ Identify relevant risks

Specific procedures to execute data collection include structured interviews, surveys and data analysis.

Part 2: Data Analysis

During the Data Analysis, our objectives are to evaluate all data received and develop a risk based assessment and audit plan. All data received during Part 1 is uploaded to a common platform to allow efficient analysis and analytical evaluation. This platform subsequently provides the means by which all outputs are generated and is used throughout the risk assessment.

For all inputs received, we systematically begin to evaluate the data. Individual risks are separated, categorized and prioritized. Subsequently, these risks are mapped back to specific applications, risk domains or the control environment to allow appropriate inclusion in auditable units.

A separate assessment is also made of the overall control environment and its impact on the organization. Specifically, we assess whether control environment component risks positively or negatively affect the overall environment, and as such, implicitly shift the overall risk within the organization. We specifically look at areas such as goals cascading, governance, policies and procedures, etc. to derive our conclusions.

Throughout the Data Analysis process, we employ techniques to assess patterns and trends that may highlight risks that otherwise, may not be transparent. Specifically, all data received is placed in an objective format allowing comparisons across all inputs and by physical buildings. These comparisons allow us to identify recurring versus isolated risks, trends in answers received via interview or survey and link data/analytics to our results.

Detailed Findings and Recommendations

Finding #1: Poll Worker Database Application Segregation of Duties

The Poll Worker database supports the election staffing, training, timekeeping, payroll payment request, worker personal data, site preferences and assignment, and poll worker evaluation by chief inspectors. The process for paying poll workers is as follows:

- Each poll worker submits an election worker payroll data sheet with hours worked
- Election Commission Staff receives payroll data sheets and reviews for completeness
- An overall payroll review is performed by the Deputy Director
- Upon approval, data is then extracted and submitted to Comptroller for payment

An adequate level of segregation of duties is not currently in place in the database application administration function. The poll worker setup, changes to poll worker information, set up in HRMS, and entry of timekeeping and payroll is all performed by the same person. Current number of staff is limited and the number of staff positions does not allow for adequate segregation of duties. Lack of segregation of duties can result in employees committing errors or engaging in fraudulent activity.

A new staff member is expected to be added to the group. It is anticipated that the added staff will make it possible to achieve segregation of duties.

The independent review of payroll data sheets and database application detail is an effective mitigating control. This is, by design a detective control, performed by reviewing posted records prior to submission for payment to the comptroller. This mitigating control could be strengthened and become a preventive control by implementing segregation of duties within the election commission database application administration function.

Recommendation:

Management should strengthen controls by implementing segregation of duties within the database application administrator roles. The following functions should be performed independent of one another:

- Setup up of poll workers in the Poll Worker Database Application
- Entry of time keeping/payroll
- Review and approval of changes
- Training attendance input

Finding #2: Document Management

Poll worker information in the poll worker database application was unsupported or contained errors. Specifically, we were unable to verify the accuracy of 13 percent of the poll worker information tested because worker application forms and employee information sheets were not obtained or retained. In another 10 percent, information in the database application did not agree with the worker application form or employee information sheet on file. Lastly, 13 percent of records tested were missing the employee identification number.

Inaccurate Poll Worker information could result in processing delays, poll workers not getting paid, and noncompliance with GAB guidelines. Additionally, to comply with GAB guidelines, all election workers need to certify they have not been convicted of a felony. The certification is documented on the worker application form.

Recommendation:

Management should strengthen controls through data reconciliation and subsequent review of data input during several process steps, such as:

- Reviewing active poll worker information for completeness and accuracy prior to each election
- Contacting active poll workers to complete applications or update information on file
- Reviewing changes to poll worker data and reconciling with source data
- Poll worker payroll data sheets should be reviewed for accuracy and missing employee ID information should be corrected.
- Developing exception reports to identify missing data and changes to poll worker information

Finding #3: Payroll Data Entry

When a new election worker is hired, the employee's information must be manually entered into the Election Commission's Poll Worker Database Application and into the City's Human Resource Management System (HRMS). The two systems do not interface with each other. Poll workers are managed by the Election Commission using the Poll Worker Database Application, but are paid based on the information entered into HRMS. Because of the manual nature of the recordkeeping, there is an increased risk that employees are not paid, or not paid accurately.

Recommendation:

Management should work with the Department of Administration Information and Technology Management Division to develop an interface between the Poll Worker Database Application and HRMS. This way, the department could enter a new employee's information or make changes to an existing employee's information once in HRMS, and the data would automatically update through interface in the Poll Worker Database Application.

Finding #4: Payroll Administration

Temporary workers are not deactivated after an election. At the time of the audit, there were over 3,000 active election poll workers in HRMS, however; only about a third of them worked an election in 2015. Another third have not worked an election since 2014. The last third have not worked an election since 2013 or have never worked an election. Each time a payroll cycle is run, a record is generated for all 3,114 election commission employees even if the worker does not actually work an election. This consumes system resources and affects efficiency in the payroll process. Additionally, there would be an impact on resources required to respond to any public record request relating to active employees.

Recommendation:

Management should deactivate poll workers after each election.

Finding #5: Policies and Procedures

The Election Commission processes are governed by GAB and City ordinances; however, internal policies and procedures for candidate operations, the campaign challenge process, and candidate file retention are not formally documented. Policies and procedures represent the foundation to an effective control environment and efficient operating practices.

Recommendation:

Internal policies and procedures should be documented and updated as deemed necessary by the director.

City of Milwaukee

Election Commission

Commissioners
Stephanie Findley
David H. Redemann
Robert F. Spindell, Jr.

Executive Director
Neil V. Albrecht

October 27, 2015

Mr. Martin Matson
Comptroller
City Hall, Room 404
200 E. Wells Street
Milwaukee, WI 53202

Dear Mr. Matson:

This letter provides the Election Commission's response to the *Audit of the Election Commission Administration Process Controls and Compliance*. The audit focused on three functions within the department:

- ✓ Election Commission Operations
- ✓ IT General Computer Controls in the Candidate Filing and Campaign Finance Reporting systems
- ✓ Poll Worker Data Administration

We appreciate the audit's finding of "minor" control gaps, but agree that collectively these gaps, in the area of poll worker data administration, can cause risk for the department. Overall, we believe the observations of the audit team will provide helpful guidance to the department in continuing our efforts to review and improve all systems.

Recommendation 1: Management should strengthen controls by implementing segregation of duties within the database application administrator roles.
Unlike many other workplaces where multiple people are completing similar work, the Election Commission currently operates with a staff of six office staff. Each of these staff positions has a very specific focus or scope of responsibility that includes election worker, absentee voting, and voter registration. A unique and comprehensive knowledge level is required with each position. As a result, it is often challenging to cross-train staff and properly segregate duties to reduce risk. Fortunately, the Election Commission will be hiring an additional staff person – a Bilingual Election Worker Coordinator – in 2016. The infusion of this additional staff person to the poll worker program will allow the department to segregate duties as outlined in the audit. This segregation of duties should be complete by the first quarter of 2016.

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Recommendation 2: Management should strengthen controls through data reconciliation and subsequent review of data input during several process steps.
In order to ensure adequate staffing at polling places on Election Day, the Election Commission will often recruit, train and activate anywhere from 800 to 1,200 election workers within a 90-120 day period of time. At the same time, there can be changes to the data of the city's core group of 2,000+ election workers. This rapid – and unprecedented within the city's payroll systems - infusion of significant data into dual databases (election worker and HRMS) can result in data errors or discrepancies. This process was exacerbated by the 2011 conversion of poll workers from vendor status to employee status. However, the Election Commission is in agreement that periodic reviews and reconciliations of election worker data and documents would be productive. This form of a review will take place in 2017, post the November 2016 General Election.

Recommendation 3: Management should work with the Department of Administration Information and Technology Management Division to develop an interface between Poll Worker Database Application and HRMS.
The process of working jointly with ITMD, the Comptroller's office, and the Election Commission to explore the possibility of a more streamlined interface between the election worker database and HRMS will begin in November 2015, with an expected conclusion by mid-2016.

Recommendation 4: Management should deactivate poll workers after each election.
The Election Commission has invested considerable thought into the department's current policy related to the inactivation of election workers. This policy identifies inactivating poll workers that do not work any election in a two year period. This policy is rooted in the state's calendar of scheduled elections, which determines election worker needs based on anticipated voter turnout. A fall General Election may require the support of nearly 3,000 election workers, while the next election, a Spring Primary, may require only 800. The Spring Primary may be followed by a Spring Election requiring the support of 1,200 election workers. Some election workers will be called to work for each election in a two year cycle, while others may only be called once. The process of deactivating and reactivating a mass volume of records is, in itself, a formula for error. Further, post-election election worker payroll must be completed within a very small window of time (often less than two weeks) in order for election workers to be paid within the required 30 days of working. The process of reactivating the record of each election worker before processing payroll would jeopardize what is already a very challenging payroll process.

The inactivation of approximately 800+ records of election workers that did not work in the two year period of 2013 and 2014 is scheduled to be completed by December 15, 2015.

It is also important to note that the process of activating and deactivating election workers in HRMS will be discussed during meetings referenced in Recommendation 3. The Election Commission is hopeful that the development of a more efficient interface between the election worker database and HRMS could alleviate the issue of election worker active/inactive records.

Recommendation 5: Internal policies and procedures should be documented and updated as deemed necessary by the director.
This recommendation references two specific processes: the campaign challenge process (the challenging of a candidate's nomination signatures) and the retention of candidate files.

With regard to processes for reviewing candidate's nomination signatures, as well as the possibility of a public challenge to the sufficiency of nomination signatures, the Election Commission relies heavily on Wisconsin state statutes and the promulgation of rules and best practices by the Wisconsin Government Accountability Board (GAB). GAB administrative rule 2.05 (treatment and sufficiency of nomination papers) defines the process of reviewing a candidate's nomination papers, and GAB 2.07 (challenges to nomination papers) defines the process when a public challenge is issued to the validity of a nomination signature(s). All Election Commission staff involved in the process of reviewing nomination papers are provided with all related GAB administrative rules as well as internal procedures.

With regard to the retention of candidate files, candidate documents, such as the Campaign Registration Statement or the Declaration of Candidacy, do not currently appear on the department's record retention schedule. The Election Commission, with confirmation from the GAB, has applied the campaign finance report record retention schedule to all candidate file documents. However, the department's record retention schedule will be modified to specifically reference these documents by the first quarter of 2016.

We have enjoyed working with the auditing on this report and appreciate their dedication to this process.

Sincerely,

Neil Albrecht
Executive Director
City of Milwaukee Election Commission