



**OFFICE OF THE CITY AUDITOR**  
Long Beach, California

LAURA L. DOUD, CPA  
City Auditor

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Larry Herrera-Cabrera, City Clerk  
333 West Ocean Blvd, Plaza Level  
Long Beach, CA 90802

**BACKGROUND**

Upon request, the Office of the City Auditor performed a review of the calculation of candidate statement costs for Citywide candidates in the 2014 Primary Nominating Election (PNE). Candidate statements are optional, at the candidate's discretion, and are included within the Sample Ballot Book (SBB). The Clerk sends SBB's to every voter registered prior to the election. Per the California Election Code Section 13307(c), the Clerk may estimate the cost of the candidate statements, but is not bound by the estimate. Further, the Clerk may require the candidate to pay their pro rata share in advance. For the 2014 PNE, the Clerk did estimate the candidate statement cost and also required the candidates to pay the estimate in advance.

The calculation of candidate statement costs is prepared by the Clerk's office and is broken down into two components. First, a cost estimate is calculated and provided to the candidates at the pre-election Candidate Workshop. Then, after the PNE and when all costs have been incurred, the Clerk performs a final calculation based on actual data. As a result of the final calculation, overpayments are identified and candidates are issued a refund or underpayments are identified and candidates are invoiced for the balance due.

The focus of our review was to analyze the methodology, reasonableness and accuracy of both the estimate and final calculations for candidate statement costs for Citywide candidates only. In order to meet our objective, we reviewed the Clerk's analysis and methodology for reasonableness of approach, reviewed supporting documentation to verify the accuracy of the data, and interviewed City Clerk personnel to gain a better understanding of the process used to formulate the calculations.

This was not an audit, but rather a limited scope review. Had we performed an audit, other matters might have come to our attention that would have been reported. Therefore, our procedures were limited to review of the following items:

1. The Clerk's calculation of estimated candidate statement cost for Citywide candidates in the 2014 PNE.
2. The Clerk's final calculation of actual candidate statement costs for Citywide candidates in the 2014 PNE.

## **RESULTS**

- 1. *Analysis of the estimated candidate statement cost for Citywide candidates in the 2014 PNE revealed that some factors were estimated and calculated incorrectly causing the amount charged to Citywide candidates pre-election to be significantly lower than what it should have been.***

During our analysis of the estimated candidate statement costs for Citywide candidates we noted the following issues that contributed to the underestimated pre-election costs:

- a. The Citywide candidate cost figure was incorrectly divided by four at the end of the calculation. Although the Clerk's intention was to account for the four individual Citywide offices, erroneously dividing by four decreased the Citywide candidate statement cost estimate by 75%.
- b. A key contributing factor in the calculation is the estimated number of pages each candidate will elect to use. In the Clerk's calculation, it was projected that each candidate would use 1.5 pages. However, based on historical usage, candidates typically elect to use only 1.0 page. Overestimating the number of pages per candidate increased the estimated cost by 33%.
- c. The number of registered voters at the time of the calculation (October 2013) was used to calculate the estimated number of books that would be printed, without allowing for a contingency. Not building in a contingency is problematic, because it does not account for an increase in the number of registered voters or the fact that the City will print more SBB's than the number of registered voters. In the calculations we reviewed, there was a 3.4% increase between the registered voter count at the time the estimate was calculated and the number of SBB's mailed. Further, the number of SBB's printed were 14% higher than the voter count used in the estimate. Allowing for a contingency will help project a more accurate estimate of individual candidate statement cost.

During our review of the Clerk's estimate, we reviewed the documentation provided to candidates with the estimated calculation. The documentation was generic and lacked disclosure as to the basis used or assumptions made to arrive at the estimate and the factors that affect the calculation that are likely to change. Clarifying and explicitly laying out this key information for the candidates up front will provide a better understanding as to what the estimate represents and better prepare them for a future adjustment that may require additional payment.

*We recommend that the estimated candidate cost figure be corrected by not dividing the final number by four, and the number of candidate pages used in the calculation be consistent with historical usage. In addition, we recommend contingencies be built into the calculation not only for the increase in voter registration but also for items such as increases in postage and SBB mail returns. It is much easier to collect for these fluctuating costs up front, rather than try to*

*collect from candidates post-election. Further, we recommend the supporting documentation be revised to serve as more of an informational disclosure that will help provide clarity for the candidates and appropriately set expectations up front.*

**2. *The estimated and final cost calculations for Citywide candidates in the 2014 PNE were prepared using two different approaches resulting in Citywide candidate cost share based on incompatible data.***

During our analysis of the final cost calculation for Citywide candidates, we found the following inconsistencies between the estimate and final calculations that contributed to a skewed Citywide candidate cost share.

- a. The projected printing cost associated with the entire SBB was used in the estimate calculation. However, in the final calculation, costs associated with Measure A and voter education pages were not included in the printing cost. Therefore, the final calculation was prepared based on amounts that represented only 60% of the total cost to print the SBB, resulting in a skewed and much lower candidate statement cost.
- b. The estimate calculation was prepared based on the assumption that candidates would elect to use 1.5 pages in the SBB. However, 1.0 page was used in the final calculation. As indicated in 1.b. above, the number of candidate pages seems like a minor factor, but it has a significant effect on the candidate cost.

*We recommend the final calculation be prepared using the same approach as the estimate calculation by ensuring key factors remain constant, such as the number of candidate pages and the cost of printing the SBB.*

## **SUMMARY**

While the recommendations above could lead to an increase in candidate statement cost, it is imperative that the Clerk ensures costs associated with the candidate statement pages are fully recovered from the individual candidates. The alternative puts the City in a position to subsidize a portion of the candidate statement costs. Full implementation of the recommendations listed above should result in estimate and final calculations that ensure full cost recovery of the candidate pages of the SBB. However, we also recommend the Clerk reconcile the cost recovered from candidates back to the full cost of the SBB, including accounting for the City sponsored pages such as Measure A and pages designated for voter education. This will serve as confirmation that the appropriate cost has been recovered and provide assurance as to the accuracy of the Clerk's candidate statement cost calculations.

We further recommend the practice surrounding this entire process be documented into a formal policy. This policy should include, but not be limited to, such items as the general method used to calculate the estimate, who is responsible to perform the calculations, data sources, review for accuracy and recordkeeping. The recommendations outlined throughout this letter are intended to increase the consistency, reliability and accuracy of the candidate statement process.

We would like to thank the City Clerk staff for their assistance and cooperation during this review. Their timely response to our document requests and questions allowed our Office to complete this review within a short time frame.

Sincerely,



Laura L. Doud, CPA  
CITY AUDITOR