



REPRESENTING
ALEX SINK
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

PUTNAM COUNTY
CLERK OF CIRCUIT COURT
BUDGET REVIEW

REPORT DATE:
September 18, 2008

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ALEX SINK

CHIEF FINANCIAL OFFICER

INTRODUCTION

The Department of Financial Services (DFS) has completed a review of the budget certifications made by the Putnam County Clerk of Circuit Court's Office to the Clerks of Court Operations Corporation (CCOC), pursuant to Section 28.35(3)(b), Florida Statutes (F.S.). The scope of our review focused on validating the processes and methodologies utilized in the development of the Clerk's budgets for fiscal years 2005-2006 (FY 05-06), 2006-2007 (FY 06-07) and 2007-2008 (FY 07-08).

The Chief Financial Officer (CFO) has contracted with CCOC to establish a process for review and certification of court-related budgets submitted by the Clerks of Circuit Courts. The CCOC is responsible for calculating the maximum authorized annual budget, identifying budgets exceeding the maximum expenditure amounts for a standard list of court-related functions and identifying budgets that have insufficient revenues to cover court-related expenditures, pursuant to Section 28.36, F.S.

SUMMARY

- The FY 05-06, FY 06-07 and FY 07-08 approved budgets were \$2,018,726, \$2,279,616 and \$2,377,793 respectively.
- Putnam County has a population of 74,799 and had 50.61, 50.52, and 47.67 Full Time Employees (FTEs) budgeted to support court-related activities for FY 05-06, FY 06-07 and FY 07-08 respectively.
- Budgeted revenues and expenditures for FY 05-06 were \$1,649,362 and \$2,018,726 respectively, resulting in a budgeted deficit of \$369,364. Actual revenues and expenditures as reported by the Clerk for FY 05-06 detailed a surplus of \$438,890. The Clerk remitted the FY 05-06 surplus to the Department of Revenue (DOR) on December 19, 2006 for deposit in the General Revenue Fund, pursuant to the provisions of Section 28.37(4), F.S.
- Budgeted revenues and expenditures for FY 06-07 were \$1,810,000 and \$2,279,616 respectively, resulting in a budgeted deficit of \$469,616. Actual revenues and expenditures as reported by the Clerk for FY 06-07 detailed a surplus of \$248,735. The Clerk remitted the FY 06-07 surplus to DOR on December 19, 2007 for deposit in the General Revenue Fund, pursuant to the provisions of Section 28.37(4), F.S.

- Budgeted revenues and expenditures for FY 07-08 are \$1,900,500 and \$2,377,793 respectively, resulting in a \$477,293 budgeted deficit. Monthly payments from the Clerks of the Court Trust Fund are scheduled to fund the Clerk's projected deficit pursuant to CCOC directive.
- The Clerk has an internal system and reporting procedures for measuring and reporting on all required performance standards.

SCOPE, OBJECTIVES AND METHODOLOGY

Scope

The Scope of our review included an analysis of the development of the Clerk's FY 05-06, FY 06-07 and FY 07-08 budgets. Our review was conducted on May 21 - 23, 2008 at the Putnam County Clerk of Circuit Court's Office.

Objectives and Methodology

The budget review was conducted with the following objectives:

- Each Clerk shall develop a budget funded from fees, services charges, court costs and fines, pursuant to Sections 28.35, 28.36 and 28.37, F.S. Clerks must provide detailed information on expenditures necessary for the performance of court-related functions using the court-related codes in the Uniform Accounting System Manual (UASM). The budget shall be submitted annually to CCOC for review and approval. The CCOC budget approval process focuses on the following key components:
 - Overhead Cost Allocation – The Putnam County Clerk's Office applied a 65.72 and 62.57 percent cost allocation rate to the FY 05-06 and FY 06-07 certified annual budgets. A 60.73 percent cost allocation rate is being utilized for the FY 07-08 budget.
 - Our review of supporting documentation disclosed that the methodologies used to calculate and distribute overhead costs were reasonable.
 - Distribution of Court-Related FTEs – The Putnam County Clerk's Office budgeted 50.61 of 77.00, 50.52 of 80.75 and 47.67 of 78.50 FTEs for FY 05-06, FY 06-07 and FY 07-08 respectively, to support court-related functions.
 - General Fund Expenditures – The final approved budget for FY 05-06 was \$2,018,726 which included a budget reserve of \$183,521. Major expenditure categories were: Personal Services (\$1,667,074), Operating Expenses (\$162,763) and Debt Service (\$5,368). The final approved budget for FY 06-07 was \$2,279,616 which included a budget reserve of \$207,238. Major expenditure categories were: Personal Services (\$1,949,287), Operating Expenses (\$116,507) and Debt Service (\$6,584).

The final approved budget for FY 07-08 was \$2,377,793 which included a budget reserve of \$216,163. Major expenditure categories are: Personal Services (\$2,034,218), Operating Expenses (\$121,403) and Debt Service (\$6,009).

- Revenue Forecasting – Budgeted revenues of \$1,649,362, \$1,810,000 and \$1,900,500 were calculated for FY 05-06, FY 06-07 and FY 07-08 respectively, based on prior period data and management’s assessment of future operational activities.
- Our review determined that the Clerk’s FY 05-06, FY 06-07 and FY 07-08 budgets were prepared pursuant to CCOC instructions and submitted in accordance with the provisions of Section 28.36, F.S.
- Expenditures during the review period were not limited to court-related functions as specified in Section 28.35(4)(a), F.S. The Putnam County Clerk’s Office reported \$3,671 for vehicle expenses in FY 06-07. The Clerk reported \$4,964 for vehicle expenses through the time of our review (based on report data through March 2008) for FY 07-08.
- Revenues for fees, services charges, court costs and funding for court-related functions for FY 05-06 and FY 06-07 were assessed pursuant to the provisions of Chapter 28, F.S. The Clerk’s budget for FY 07-08 was based on projected revenues from the same sources, pursuant to Section 28.36, F.S.
- Clerks are required to maintain a partial fee payment system, pursuant to Section 28.246, F.S. The Putnam County Clerk’s Office is currently utilizing an internal database system to account for partial fee payments. The Clerk is contracting with an external collection agency to assist with collecting delinquent accounts more than 120 days past due.
- Putnam County Clerk of Court was designated a “recipient” office for FY 05-06 by CCOC based upon a budgeted deficit of \$369,364. Monthly remittances from the Clerks of the Court Trust Fund were scheduled to fund the Clerk’s projected deficit pursuant to CCOC directive. The Clerk reported a FY 05-06 surplus of \$438,890 based on actual revenues and expenditures of \$2,170,859 and \$1,731,969 respectively. The Clerk remitted the FY 05-06 surplus to DOR on December 19, 2006 for deposit in the General Revenue Fund, pursuant to the provisions of Section 28.37(4), F.S.
- Putnam County Clerk of Court was designated a “recipient” office for FY 06-07 by CCOC based upon a budgeted deficit of \$469,616. Monthly remittances from the Clerks of the Court Trust Fund were scheduled to fund the Clerk’s projected deficit pursuant to CCOC directive. The Clerk reported a FY 06-07 surplus of \$248,735 based on actual revenues and expenditures of \$2,211,449 and \$1,962,714 respectively. The Clerk remitted the FY 06-07 surplus to DOR on December 19, 2007 for deposit in the General Revenue Fund, pursuant to the provisions of Section 28.37(4), F.S.

- The Putnam County Clerk of Court is designated a “recipient” office for FY 07-08 by CCOC based upon a budgeted deficit of \$477,293. Projected revenues and expenditures for FY 07-08 are \$1,900,500 and \$2,377,793 respectively. Through the time of our review (based on report data through March 2008), the Clerk’s Office reported a FY 07-08 surplus of \$84,008 based on revenues and expenditures of \$1,056,465 and \$972,457 respectively.
- The following performance measures were adopted by CCOC, pursuant to Section 28.35, F.S., for FY 05-06, FY 06-07 and FY 07-08:
 - Outputs – The outputs consist of the number of civil cases filed and the number of criminal defendants handled, by Court Divisions, as identified by the Clerk’s Office. The Clerk reported 20,205 new cases filed and 9,849 defendants during FY 05-06. The Clerk reported 18,124 new cases filed and 9,126 defendants during FY 06-07. The Clerk reported 7,741 new cases filed and 5,040 defendants for the first half of FY 07-08.
 - Outcome Measures – Timeliness and Collection Rate:
 - Timeliness – New cases opened within a designated number of business days after the initial filing. The Clerk has the ability to collect data and report timeliness measures on new cases. The Clerk reported meeting or exceeding 13 of 20 performance standards to CCOC for FY 05-06. The Clerk reported meeting or exceeding 16 of 20 performance standards to CCOC for FY 06-07. The Clerk reported meeting or exceeding 16 of 20 performance standards to CCOC for the first half of FY 07-08.
 - Collection Rate – The collection rate is calculated by dividing collections by the adjusted assessments. The Clerk reported meeting or exceeding 8 of 9 collections performance standards to CCOC for FY 05-06. The Clerk reported meeting or exceeding 8 of 9 collections performance standards to CCOC for FY 06-07. The Clerk reported meeting or exceeding 8 of 9 collections performance standards to CCOC through the second quarter of FY 07-08.
 - Fiscal Management Measures – Fiscal Management Standards:
 - Status Report - The Clerk reported meeting or exceeding 9 of 9 fiscal management standards to CCOC for FY 05-06. The Clerk reported meeting or exceeding 9 of 9 fiscal management standards to CCOC for FY 06-07.
 - Jury Management Measures – Percentage of juror payments issued timely:
 - Jurors Report – The Clerk reported meeting or exceeding 100 percent of juror payments issued timely to CCOC for the first half of FY 07-08.

FINDINGS AND RECOMMENDATIONS

Finding Number 1:

Based upon our review of the Putnam County Clerk's Office, we found the Clerk's budgeting practices and revenue methodologies for State funds to be efficient and accurate. We concluded the Putnam County Clerk's Office is currently able to report on all required performance standards. However, expenditures during the review period were not limited to court-related functions as specified in Section 28.35(4)(a) and Section 29.008, F.S. The unallowable expenditures totaled \$3,671 for FY 06-07 and \$4,964 through the time of our review for FY 07-08 (based on report data through March 2008).

Recommendation Number 1:

The Putnam County Clerk's Office should closely adhere to and follow all expenditure requirements prescribed in Florida Statutes. The Clerk should reimburse the Clerks of the Court Trust Fund for the unallowable expenditures totaling \$3,671 for FY 06-07 and \$4,964 for FY 07-08, within 30 days of receiving this report, pursuant to Section 28.36(4)(b), F.S.

Clerk Response:

The Putnam County Clerk's Office interpretation of Florida Statutes is that vehicle related expense are allowable. The Clerk's Office agrees with the opinion dated April 8, 2008, from Greenburg Traurig, general counsel to the Florida Association of Court Clerks (FACC) that states transportation costs required for the Clerk to fulfill court-related functions of Section 28.24(4)(a), F.S. are permissible uses of filing fees, fines, service charges and court cost.

DFS Response:

The department's interpretation of Florida Statutes is not based on implied authority. Expenditures specified for court-related functions are described in Section 28.35(4)(b) and Section 29.008(1)(f)(2), F.S. Consequently, our recommendation remains that expenditures related to vehicle expense are not specifically authorized and should be reimbursed within 30 days of receiving this report.

REVIEW TEAM

Burton Marshall, *Chief, Bureau of Local Government*

Priscilla Bailey-Brown, *Financial Administrator*

Mark Gressel, *Professional Accountant Specialist*

Bob Johnson, *Professional Accountant Specialist*

Angie Lawson, *Professional Accountant Specialist*

Jessica Robinson, *Professional Accountant Specialist*

Jeremy Smith, *Professional Accountant Specialist*

APPENDIX

Appendix A



REPRESENTING
ALEX SINK
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

March 11, 2008

The Honorable Tim Smith
Clerk of Circuit Court
Putnam County
Post Office Box 758
Palatka, Florida 32178

Dear Mr. Smith:

The Department of Financial Services (DFS) has scheduled a review of your budget processes in accordance with Section 28.35, Florida Statutes. The dates mutually selected for this review are May 21 – 23, 2008. Our review will encompass the following objectives: Analyze the methodologies used to develop both the current and prior fiscal years Clerks of Court Operations Corporation (CCOC) certified budget; review expenditures to ensure compliance with Florida Statutes; analyze projected and year-to-date revenues; and review methods used to collect and report data regarding performance measures.

To minimize disruptions to your daily operations, we request you have the following available upon our arrival:

1. Current organization chart.
2. Internal documentation of methodologies used to allocate FTEs to court-related activities.
3. Payroll subsidiary ledger for the most recent pay date and current annual salary listing by employee. Do not include Social Security Numbers on documentation.
4. Listing of General Ledger codes (500-700 range) used in conjunction with the chart of accounts.
5. General Ledger report of court-related revenues and expenditures for FY 05-06, FY 06-07 and FY 07-08 (through March 2008).
6. Revenue and Expenditure Tracking Reports submitted to CCOC for FY 05-06, FY 06-07 and FY 07-08 (through March 2008).
7. Copies of monthly transmittals to the Department of Revenue for revenues remitted, pursuant to Sections 28.241(1)(a), 28.37(2) and 28.37(4), Florida Statutes.
8. Report detailing outstanding balance for each partial payment account.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
Burton S. Marshall, CPA • Chief
Division of Accounting and Auditing • Bureau of Local Government
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Appendix A (continued)

The Honorable Tim Smith
March 11, 2008
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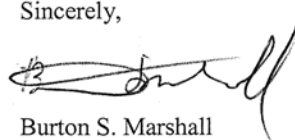
9. Contract, outstanding balance of accounts assigned, and supporting records for remittances by collection agency for FY 05-06, FY 06-07 and FY 07-08 (through March 2008), if applicable.
10. Submissions of timeliness and collections performance measure data and any related supporting documentation to CCOC for FY 05-06, FY 06-07 and FY 07-08 (through March 2008).
11. Any internal documentation used to complete a Budget Amendment Request(s) approved by CCOC, if applicable.
12. Audit Report for FY 05-06 and FY 06-07.
13. Fiscal Management Measures Status Report Form to CCOC for FY 05-06 and FY 06-07.
14. FY 07-08 Rebasing worksheets for Budget Submission to the CCOC.

Please have the requested information available for fiscal years 2005-2006, 2006-2007 and 2007-2008, as our review will cover these periods. Mr. Bob Johnson, Ms. Jessica Robinson and Mr. Jeremy Smith will represent DFS during this review.

We ask that you provide workspace for DFS and a lead from your staff to assist in the review. It is not our intent to disrupt your operations. You may contact us to reschedule if, for any reason, the dates selected cannot be accommodated. Please use Ms. Priscilla Bailey-Brown as our primary point of contact at (850) 413-5592 or priscilla.bailey-brown@myfloridacfo.com.

Thank you for your advanced preparation. We look forward to working with you and your staff.

Sincerely,



Burton S. Marshall

BSM:cc

Appendix B



Office of
Clerk of Court
Tim Smith

August 25, 2008

State of Florida, Department of Financial Services
Attn.: Burton Marshall
200 East Gaines Street
Tallahassee, FL 32399-0300

Re: Putnam County Clerk of Circuit Court Budget Review – Clerk's Response to Draft received on 7/30/08

Dear Burton,

I am submitting the following response to the finding by your office.

Finding Number 1:

Based upon our review of the Putnam County Clerk's Office, we found the Clerk's budgeting practices and revenue methodologies for State funds to be efficient and accurate. We concluded the Putnam County Clerk's Office is currently able to report on all required performance standards. However, expenditures during the review period were not limited to court-related functions as specified in Section 28.35(4)(a) and Section 29.008, F.S. The unallowable expenditures totaled \$3,671 for FY06-07 and \$4,964 through the time of our review for FY07-08 (based on report data through March 2008).

Clerk's response:

I would like to thank the audit staff that conducted this audit of my office's court-related budget, expenditures and performance reporting requirements, for their professionalism and courtesy during this review. However, I disagree with the conclusion that our office incurred unallowable expenditures.

In an opinion dated April 8, 2008 to the Florida Association of Court Clerks (FACC), Greenburg Traurig, general counsel to the FACC, (attached) wrote that transportation costs required for the Clerk to fulfill court-related functions of Section 28.24(4)(a), F.S. were permissible uses of filing fees, service charges, court cost and fines. They went on to state that if any vehicle is not exclusively utilized for these functions, then only that portion of the cost of operation that can be allocated to these functions may be paid by the filing fees, service charges, court costs and fines.

Fuel, maintenance and financing costs for the vehicles used by my office are allocated between court and non-court-related functions using the same percentages used to allocate other overhead expenses such as finance, payroll and other administrative costs. The review finds these other expenditures to be properly accounted for, yet singles out vehicle expenses in a fashion that appears arbitrary to us. The vehicle expenditures are reasonable, and are incurred by the clerk's office in the performance of our court-related functions.

Putnam County • P.O. Box 758 • Palatka, FL 32178-0758