



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

June 20, 2016

The Honorable Greg Godwin
Clerk of Circuit Court
Hamilton County
207 NE 1st Street, Room 106
Jasper, Florida 32052

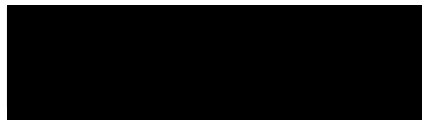
Dear Mr. Godwin:

We completed our Article V Clerk of the Circuit Court Expenditure Compliance Review in accordance with Florida Statutes. Enclosed is a copy of our final report which includes your response to our review.

We appreciate your advanced preparation for our review and the courtesy extended to our team. We look forward to working with your office in the future.

Please contact Mark Merry at (850) 413-3074 or mark.merry@myfloridacfo.com if you have any questions.

Sincerely,



Christina Smith



**JEFF ATWATER
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA**

Florida Department of Financial Services

**HAMILTON COUNTY
CLERK OF THE CIRCUIT COURT
COMPLIANCE REVIEW**

**Report No. 2016-05
June 7, 2016**

SUMMARY

The Department of Financial Services (DFS) has completed a review of the Hamilton County Clerk of Circuit Court's Office pursuant to section 28.35 2(e), Florida Statutes (F.S.). It is the practice of the Department of Financial Services to conduct these reviews for each Clerk of the Circuit Court every three (3) years.

- The Hamilton County Clerk of Circuit Court serves a population of 14,351.¹
- The review sampled administrative and payroll court-related expenditure accounts and transactions to determine if the Clerk's office was in compliance with sections 28.35(3), 28.37(5), 28.24(12) and 29.008, F.S. The expenditure sample confirmed court-related expenditures were in compliance and funds were expended for allowable court-related costs.
- Overhead allocation methodologies could be improved.
- Budget reporting to the Clerks of Court Operations Corporation (CCOC) could be improved.

BACKGROUND

In 1998, revisions to Article V, Section 14, of the Florida Constitution, specified portions of the state courts system and court-related functions that were to be funded from State revenues derived from statutory fines, fees, service charges, and court costs collected by the Clerks of Court. Prior to July 1, 2009, Clerks prepared budgets using a revenue-based model independent of the State appropriations process. Clerks collected fines, fees, service charges, and court costs to fund their approved budgets and remitted any excess revenues to the Department of Revenue for deposit into the Clerks of Court Trust Fund. The Florida Legislature passed Florida Laws Chapter 2009-61 and Chapter 2009-204, placing the Clerks' court-related budgets under the State appropriations process beginning July 1, 2009. The Florida Legislature appropriated the total amount for the Clerks' budgets in the General Appropriations Act (GAA).

The organization that governs the Clerks, the CCOC, is responsible for developing the budgets and certifying a uniform system of performance measures for Clerks. Under the model enacted July 1, 2009, all fines, fees, service charges, and court costs, except as otherwise provided in sections 28.241 and 34.041, F.S., were collected by the Clerks' offices and remitted to the Department of Revenue for deposit

¹ Office of Economic and Demographic Research report Salaries of Elected County Constitutional Officer and School District Officials for Fiscal Year 2015-16, October 2015

into the Clerks of the Court Trust Fund, in accordance with section 28.37, F.S.

Beginning July 2009, sections 28.245, F.S., required Clerks' collections of court-related fines, fees, service charges, and costs to be considered liabilities due to the State and were required to be remitted to the Clerks of Court Trust Fund by the 20th of the month immediately following the month in which the monies were collected. Beginning July 2010, section 28.245, F.S., required Clerks to remit liabilities to the Clerks of Court Trust Fund by the 10th of the month immediately following the month in which the monies were collected. The Clerks were funded by the State appropriations process from July 1, 2009 through June 30, 2013.

In 2013, the Florida Legislature passed Florida Laws Chapter 2013-44, which returned the Clerks to the pre-2009 funding model and removed the Clerks from the State appropriations process. Beginning November 2013, the Clerks' remit to the State the excess of 1/12 of their budget for the previous months' collections. For those Clerks' who collect fees less than their approved budgets, the shortage is disbursed from the State of Florida's Clerk of the Court Trust Fund. In addition, the Department of Financial Services' role was changed to providing audits of the Clerks' court-related expenditures only.

SCOPE

The Article V compliance review of the Hamilton County Clerk of the Circuit Court's Office covered State Fiscal Year (SFY) '12-13, July through September 2013 transition period, County Fiscal Year (CFY) '13-14, and County Fiscal Year (CFY) '14-15 for court-related expenditures. The review was conducted as an on-site review by the Article V section within the Bureau of Auditing.

OBJECTIVES & METHODOLOGY

EXPENDITURES

The review sampled various court-related expenditure accounts and transactions to determine if the Clerk's office was in compliance with sections 28.35(3), 28.37(2) and 28.24(12)(d) F.S. The expenditure review confirmed court-related expenditures were in compliance with these Statutes.

The Clerk provided 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 review confirmed the accuracy of the expenditures listed on the Clerk's General Ledger by reconciling and testing court related expenditures reported on the CCOC Clerks' Expenditures and Collections Tracking Report for each fiscal year.

The review also confirmed that the Clerk's use of the 10% of fines from the Modernization Trust Fund (TF) was in compliance with statute; however, the auditors found that the County subsidized the court's budget.

The table below reflects the budgeted and actual expenditures for each fiscal year reviewed.

	Budgeted	Actual
SFY 12-13	\$408,323	\$408,323
Transition Period July - Sept 13	\$109,617	\$109,617
CFY 13-14 (Oct - Sept)	\$425,736	\$425,736
CFY 14-15 (Oct - Sept)	\$420,987	\$420,987

The budgeted growth from July 2012 through September 2015 was 3.10%.

The review confirmed certain court-related payroll expenditures were in compliance with section 28.35(3), F. S. The Clerk's salary was within the salary requirements developed by the Office of Economic and Demographic Research.

The table below reflects the budgeted FTEs for each fiscal year reviewed and the court-related allocation percentages applied for shared overhead.

Fiscal Year	Direct Court-Related FTEs	Indirect Overhead FTEs	Total Court-Related FTEs	Total Court & Non-Court FTEs	Cost Allocation Percentage
SFY 12-13	6.00	4.44	10.44	14.00	74.57%
CFY 13-14	6.00	4.44	10.44	14.00	74.57%
CFY 14-15	5.00	2.05	7.05	14.00	50.36%

The cost allocation percentages are applied to overhead costs budgeted to support court-related activities for all fiscal years. The allocation is based on the estimated percentage of time and case workload each overhead position spends performing court-related activities. These cost allocations are the basis for the Clerk's annual budget submitted to the CCOC and, ultimately, become the basis for State appropriations for court-related functions.

OBSERVATIONS & RECOMMENDATIONS

1) The Clerk's Office indicated that it uses management estimates and assumptions based on experience for the allocation of FTE overhead between court and non-court related functions. Accounting estimates, however, should be based on an accumulation of relevant, sufficient, and reliable data and compared to subsequent actual data to determine the reliability of the estimate.

Clerk's Office was unable to provide supporting documentation evidencing time and effort indirect employees spent working on court related functions. Consequently, we could not verify the indirect overhead FTEs shown above. Without accurate time-keeping of court and non-court related functions, or an auditable methodology of time-keeping, the Clerk has no assurance that the estimates used for budgeting purposes were accurate or need to be revised for the next budget cycle.

We recommend the clerk establish a method for tracking employees' time and effort between court-related and non-court related activities to ensure accuracy in the budgeting process and the appropriation of State funds. The methodology should include a basis for concluding whether the budgetary estimates are accurate.

2) During our testing, we noted that the Clerk's office could not account for 73 voided checks out of a total of 1,143 court-related checks during the audit periods tested. The Clerk's office indicated that prior to July 2014 they used a line printer for their checks that consistently misprinted the checks. These misprinted checks were voided and then shredded; therefore, we were unable to view any of these voided checks. In July 2014, the Clerk's office transitioned to a new printer which corrected the problem.

We recommend the clerk adhere to the retention schedule established in the *State of Florida General Records Schedule GS 11 for Clerks of Court*. A copy of the *Schedule* was provided to the Clerk's office, and they have indicated that going forward, all voided checks will be kept on site for the recommended period.

3) Our review of the Clerk's budget forms submitted to the CCOC for CFY '13-14 noted that the Clerk's budget request increased \$17,393 from CFY '12-13. The Clerk's office noted in Exhibit I of the budget submission forms that the County had supported the Court's expenditure budget shortfall for two (2) years, and now they were reallocating some of these expenses back to the State for CFY '13-14.

The budgetary aspects of not including all funding sources and anticipated expenditures in the Clerk's budget submission prevents the State from having a full understanding of the total costs needed to operate the Clerk's office. In order to reflect those actual costs, we recommend that the Clerk's office report all personnel cost increases, operating expenditure increases, and capital expenditure increases they anticipate in the upcoming fiscal year to the CCOC as part of the budget submission documents submitted for approval in June of each year. Additionally, all expenditures that the Clerk anticipates will be funded by the county should also be reported in the budget documents submitted to the CCOC.

GREG GODWIN
CLERK OF CIRCUIT COURT OF HAMILTON COUNTY



ROOM 106 * 207 NORTHEAST FIRST STREET * JASPER, FLORIDA 32052 * (386) 792-1288

June 14, 2016

Florida Department of Financial Services
Division of Accounting and Auditing
200 East Gaines Street
Tallahassee, FL 32399-0353

Thank you for the opportunity to respond to your observations and recommendations for the Hamilton County audit for SFY 2012-13 through CFY 2014-15.

The Court related budget for Hamilton County is prepared and approved each year by following guidelines promulgated by the CCOC as well as GAAP. As such, management must make estimates and assumptions on the allocation of full time equivalents which are based upon Management's experience and the needs of the individual Court divisions. We feel that our FTE allocations are materially correct and reflect the actual duties performed by each deputy Clerk.

We are in receipt of a copy of the State of Florida General Records Schedule GS11 for Clerks of Court and we will comply with its records retention schedule.

Our Board of County Commissioners approves its annual budget in September of each year which may or may not include salary increases for all County staff which includes the Clerk of Court's staff. The CCOC's deadline for submittal of the annual budget is several months before the Board, therefore raises are not included in the submittal. The Board agrees to fund any expenditures that exceed the CCOC budget, and CCOC is not concerned with what takes place after the Clerk's budget is approved. In the future, however, we will anticipate pay raises in our budget submittal with the proper explanation on Exhibit I.

We would like to acknowledge the professionalism of your staff during this audit. If you have any questions in regard to our response, please contact me.

Sincerely,


Greg Godwin
Clerk of the Circuit Court
Hamilton County, Florida



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JEFF ATWATER
STATE OF FLORIDA

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CS:sa

Enclosure