



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

March 13, 2018

The Honorable Danny J. Shipp
Clerk of Circuit Court
Levy County
355 South Court Street
Bronson, Florida 32621

Dear Mr. Shipp:

We completed our Article V Clerk of the Circuit Court Expenditure Compliance Audit in accordance with Florida Statutes. Enclosed is a copy of our final report.

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 Kim Holland at (850) 413-5700 or kim.holland@myfloridacfo.com if you have any questions.

Sincerely,

[Redacted Signature]
Mark Merry
MM:jp

Enclosure



**JIMMY PATRONIS
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA**

Florida Department of Financial Services

**LEVY COUNTY
CLERK OF THE CIRCUIT COURT
COMPLIANCE AUDIT**

**Report No. 2018-24
March 2, 2018**

SUMMARY

The Department of Financial Services (DFS) has completed an audit of the Levy County Clerk of the Circuit Court¹. The auditors sampled court-related administrative and payroll expenditure accounts and transactions to determine whether, in making such expenditures, the Clerk's office complied with applicable State laws². The sampled Clerk's office administrative and payroll expenditures generally complied with applicable State laws, and funds were expended for allowable court-related costs. However, as further described in the Observations and Recommendations section, we noted:

- In one (1) instance, the expenditure had been improperly allocated as a court-related cost.
- One (1) employee's pay rate did not agree to the pay rate as authorized in her personnel file.
- Overhead allocation methodologies could be improved.

BACKGROUND

In 2013, the Florida Legislature passed legislation that removed the Clerks of the Circuit Courts from the State appropriations process³. The 2013 legislation requires that all court-related functions must be funded from filing fees, service charges, costs and fines retained by the Clerks. That portion of all fines, fees, service charges, and costs collected by the Clerks for the previous month that exceeds 1/12 of a Clerk's total budget must be remitted to the State. Those funds are deposited into the State of Florida's Clerk of the Court Trust Fund. For those Clerks who collect less than their approved budgets, the shortage is disbursed from the Clerks of the Court Trust Fund. In addition, the DFS' role was changed to providing audits of only the Clerks' court-related expenditures.

The organization that governs the Clerks, the Florida Clerks of Court Operations Corporation (CCOC), was initially formed to review and certify proposed budgets from each Clerk. In 2017, the Florida Legislature passed new legislation⁴ giving the CCOC the duty of approving the proposed budgets submitted by the Clerks of the Circuit Courts as required by State law⁵. The 2017 legislation provides that the CCOC must ensure that the total combined budgets of the Clerks of the Circuit Courts do not

¹ Section 34.031, Florida Statutes.

² Sections 28.35(3) and 28.37(5), Florida Statutes.

³ Chapter 2013-44, Laws of Florida.

⁴ Chapter 2017-126, Laws of Florida.

⁵ Section 28.36, Florida Statutes.

exceed the total estimated revenues available for court-related expenditures as determined by the most recent Revenue Estimating Conference.

The Chief Financial Officer has contracted with the CCOC to establish a process for auditing the court-related expenditures of the individual Clerks pursuant to State law⁶. The audits are conducted by the DFS Bureau of Auditing, Article V section. It is the practice of the Department to conduct these audits every three to five years.

SCOPE

The audit of the Levy County Clerk of the Circuit Court's Office covered County Fiscal Years (CFY) 14-15, CFY 15-16 and CFY 16-17 (through June 30, 2017). The audit consisted of desk procedures, that included an analysis of sample selections with supporting documentation.

OBJECTIVES & METHODOLOGIES

The following objectives have been established for the audit of court-related expenditures:

- Evaluate whether court related expenditures were in compliance with State laws⁷.
- Evaluate whether court-related expenditures were properly authorized, recorded, and supported.
- Evaluate whether the Clerk used other funding sources (from the County or any of the 10% of fines from the Modernization Trust Fund (TF)) to subsidize the court-related budget and/or expenditures (prior to July 1, 2017).
- Evaluate whether expenditures were within the budgeted appropriations.
- Evaluate the accuracy and completeness of expenditures reported on the Clerk of Court Expenditure and Collections Report.
- Evaluate whether the Clerk's salary and total payroll costs were within the applicable caps established by the Florida Legislature's Office of Economic and Demographic Research.
- Evaluate the Clerk's methodology for allocating payroll costs between court and non-court related functions.

Our audit included the examination of accounts and records and the sampling of various court-related transactions related to administrative and payroll expenditures.

Table 1 shows the court-related budgeted and actual expenditures for each fiscal year reviewed.

Table 1		
Year	Budgeted	Actual
CFY 14-15	\$1,042,944	\$990,323
CFY 15-16	\$ 954,561	\$923,893
CFY 16-17	\$ 897,483	\$680,660*

The Levy County Clerk of Circuit Court serves a population of 40,553⁸. Actual through June 30, 2017.

The budgeted growth from October 2014 through September 2017 is -13.95%.

⁶ Section 28.35(2)(e), Florida Statutes.

⁷ Sections 28.35(3) and 28.37(5), Florida Statutes.

⁸ Office of Economic and Demographic Research Report Salaries of Elected County Constitutional Officer and School District Officials for FY 2017-2018, September 2017.

Table 2 reflects the budgeted and actual full-time equivalent (FTE) positions who charge either all or a portion of employee time is charged to court-related duties. The budgeted number of FTEs includes vacant positions. The actual number of FTEs includes only filled positions. We could not verify the accuracy of the methodology for employees that performed both court-related and non-court related activities-see Observations and Recommendations section.

Table 2		
Year	Budgeted FTEs	Actual FTEs
CFY 14-15	23.18	16.68
CFY 15-16	16.59	16.68
CFY 16-17	16.23	16.68

The budgeted FTEs decreased by -29.98% for the period October 2015 through September 2017.

OBSERVATIONS AND RECOMMENDATIONS

Section 28.35(3)(a), F.S., outlines the list of court-related functions that clerks may fund from filing fees, service charges, costs, and fines and is limited to those functions expressly authorized by law or court rule. Those functions include the following: case maintenance; records management; court preparation and attendance; processing the assignment, reopening, and reassignment of cases; processing of appeals; collection and distribution of fines, fees, service charges, and court costs; processing of bond forfeiture payments; payment of jurors and witnesses (before July 1, 2017); payment of expenses for meals or lodging provided to jurors (before July 1, 2017); data collection and reporting; processing of jurors (before July 1, 2017); determinations of indigent status; and paying reasonable administrative support costs to enable the clerk of the court to carry out these court-related functions.

The list of court-related functions that clerks may not fund from filing fees, service charges, costs, and fines include:

- Those functions not specified within paragraph (a) above,
- Functions assigned by administrative orders which are not required for the clerk to perform the functions in paragraph (a) above,
- Enhanced levels of service which are not required for the clerk to perform the functions in paragraph (a) above, and
- Functions identified as local requirements in law or local optional programs.

Sections 29.008(1)(f)1, and 2, F.S., requires counties to fund the cost of communications services which include wireless communications, cellular telephones, all computer networks, systems and equipment, including computer hardware and software, modems, printers, wiring, network connections, and maintenance.

For the 25 Clerk's office administrative expenditures selected for testing, we noted one (1) instance in which the expenditure, contrary to statutory guidance, had been allocated as a court-related costs.

- 1) Section 29.008(1)(a) F.S., requires counties to fund the cost of facilities for the Clerks of the Circuit Court, which includes storage. We noted one (1) expenditure in CFY 16-17 in the amount of \$278 that was 100% allocated to the court for the storage of old case files. Upon further review, we noted total expenditures of \$1,668 for CFY 16-17 (through June 30, 2017) related to storage costs.

We recommend that the Clerk's office allocate as court-related expenditures only those costs authorized by Statute. We also recommend that the Clerk's office reimburse the Clerk of the Court Trust Fund for the expenditure above for \$1,668.

For the 15 Clerk's payroll expenditures selected for testing, we noted one (1) instance in which the pay rate was calculated incorrectly.

During our testing of payroll expenditures, we noted one (1) employee who was granted a 3% increase in pay as noted on her personnel action form. Her wage at the time was \$12.90/hour and should have increased to \$13.29/hour, yet the new pay rate was calculated at \$13.55/hour resulting in an inaccurate compensation amount of \$541 for CFY 14-15.

We recommend the Clerk's office verify that employees' pay rates are calculated correctly and consistent with the rate authorized in the personnel record.

The Clerk's office indicated that it uses management estimates and assumptions based on the knowledge and specific duties 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. The Clerk's office was unable to provide supporting documentation evidencing time and effort employees spent working on court related functions.

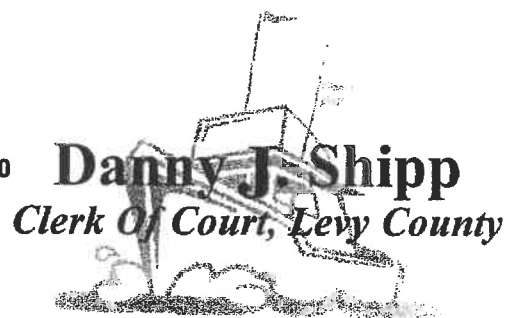
Without accurate time-keeping of court and non-court related functions, the Clerk has no assurance that the estimates used for budgeting purposes were accurate or need to be revised for the next budget cycle.

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. The Clerk's office might consider using a sampling method similar to the Title IV-D process that includes random moment sampling or a time study



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Clerk's response to the Article V Audit Report No. 2018-24

March 12, 2018

- In regards to the expenditure improperly allocated as Court-related cost. As of October 2017 we have moved all our court records to a Board owned building.
- In regards to the employee's pay rate not in agreement with the personnel action form in her file. For future personnel action forms involving pay increases, we will have an additional person review the calculations and sign off.
- In regards to overhead allocation methodologies. We are implementing a time study to determine percentage of time non-court employees spend on court related functions.
- Regarding the verbal recommendation- As of 10/1/17 we started to document the employee preparing the bank reconciliation and the employee approving as well as dating.

