



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

October 5, 2017

The Honorable Kathleen Brown
Clerk of Circuit Court
Liberty County
P.O. Box 399
Bristol, Florida 32321

Dear Ms. Brown:

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.

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,


Mark Merry
MM:jp

Enclosure



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

Florida Department of Financial Services

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

**Report No. 2017-19
October 5, 2017**

SUMMARY

The Department of Financial Services has completed a review of the Liberty 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 four to five years.

- The Liberty County Clerk of Circuit Court serves a population of 8,698.¹
- The auditors confirmed that court-related expenditures were in compliance with Sections 28.35(3), 28.37(5), 28.24(12) and 29.008, F.S.
- Overhead allocation methodologies could be improved.
- Internal controls and procedures 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 Clerks of Court Operations Corporation (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 into the Clerks of the Court Trust Fund, in accordance with Section 28.37, F.S. Beginning July 2009, Section 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.

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

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 Liberty County Clerk of the Circuit Court's Office covered County Fiscal Year (CFY) 14-15, CFY 15-16, and CFY 16-17 (10/1/16-3/31/17) 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 auditors 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 auditors also confirmed certain court-related payroll expenditures were in compliance with Section 28.35(3), F.S. and budget guidelines established by the CCOC, although we did note six (6) out of 10 payroll sample items did not have an approved timesheet. The Clerk's salary was within the salary requirements developed by the Office of Economic and Demographic Research.

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

Fiscal Year	Budgeted	Actual
CFY 14-15	\$292,276	\$285,159
CFY 15-16	\$281,722	\$276,474
CFY 16-17	\$276,028	\$134,567*

*The actual expenditures for CFY 16-17 from 10/1/16 to 3/31/17.

The budgeted growth from October 2014 through Sept 2017 is -5.56%.

The table below reflects the full time equivalent (FTEs) for each fiscal year reviewed. The cost allocation percentage shown is the basis for the Clerk’s annual budget submitted to the CCOC and, ultimately, become the basis for State appropriations for court-related functions.

Fiscal Year	Total Direct Court-Related FTEs	Allocated Court-Related FTE's	Total Court-Related FTEs	Total Court & Non-Court FTE	Cost Allocation Percentage
CFY 14-15	4.00	1.74	5.74	10.00	57.40%
CFY 15-16	3.00	2.74	5.74	10.00	57.40%
CFY 16-17	3.00	2.49	5.49	10.00	54.90%

PERCENTAGES FOR BUDGET: FTE GROWTH AND ALLOCATION GROWTH

FTE Growth CFY 14-15 to CFY 16-17 -4.36%

OBSERVATIONS & RECOMMENDATIONS

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.

Bank reconciliations should be either performed or reviewed by an employee who does not have custody of or access to cash and who does not record cash receipt, cash disbursement, or journal entry transactions.

During our testing, we noted that the bank reconciliations were prepared and approved by the same individual without evidence of independent review.

We recommend that bank reconciliations be prepared or reviewed by an employee or official who does not have custody or access to cash and who does not record cash receipts, cash disbursements, or journal entry transactions. While we recognize the small size of the Clerk’s office, we recommend a separate individual do a cross check of the bank reconciliations and bank statements as a mitigating control.

Employee timesheets should be approved and signed by a supervisor verifying that the hours worked and leave taken are correct. During our testing of the clerk’s payroll, we noted that six (6) out of 10 sample items tested did not have evidence of the supervisors’ approvals on the timesheets.

While we recognize the small size of the Clerk’s office, we recommend that all timesheets be approved and signed by a supervisor



OFFICE OF THE
CLERK OF THE CIRCUIT COURT
SECOND JUDICIAL CIRCUIT • LIBERTY COUNTY

KATHLEEN E. BROWN
Clerk

October 13, 2017

Mr. Mark Merry
Division of Accounting and Auditing
Florida Department of Financial Services
200 East Gaines Street
Tallahassee, Florida 32399-0353

Dear Mr. Merry:

Thank you for the opportunity to respond to your observations and recommendations and for your staff's professionalism and courtesy during the recent audit of our court-related expenditures.

Observation and Recommendation 1:

The court budget for Liberty County is prepared and approved annually by following guidelines established by the Clerks of Court Operations Corporation as well as Generally Accepted Accounting Principles. The Clerk's Office has historically and consistently utilized the experience and knowledge of management to allocate FTE overhead between court and non-court related functions. We feel that our allocation of FTE overhead between court and non-court related functions is correct and accurately reflects the actual duties performed. Additionally, our office uses the sampling of a comparison group in the Title IV-D process due to the size of our operations. We appreciate the recommendation made by the audit team and we will continue to make every effort to ensure accuracy in the budgeting process.

Observation and Recommendation 2:

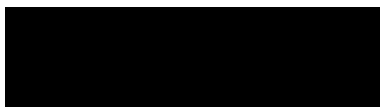
We agree with the recommendation and will implement new procedures as soon as possible.

Observation and Recommendation 3:

New procedures were implemented July 1, 2017.

If you have further question or would like additional information, please do not hesitate to contact me.

Sincerely,



Kathleen E Brown
Clerk of the Circuit Court and Comptroller
Liberty County, Florida