



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

February 12, 2018

The Honorable Sharon Robertson
Clerk of Circuit Court
Okeechobee County
312 Northwest 3rd Street
Okeechobee, Florida 34972

Dear Ms. Robertson:

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,


MM:jp

Enclosure



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

Florida Department of Financial Services

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

**Report No. 2018-22
February 12, 2018**

SUMMARY

The Department of Financial Services (DFS) has completed an audit of the Okeechobee 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 seven (7) instances, the expenditures had been improperly allocated as court-related costs, or were not authorized of record as being a reasonable administrative support cost.
- The Clerk's office did not itemize pay increases on the budget form Tab I as required by the CCOC budget instructions.
- The Clerk's office does not have a clear methodology for the allocation of administrative and payroll expenditures across the cost centers according to the Uniform Accounting Systems Manual.
- The Clerk's office did not provide documentation demonstrating the methods and records relied on in compiling the Clerk of Court Expenditure and Collections Reports for County Fiscal Year (CFY) 14-15, CFY 15-16, and CFY 16-17 (through June 30, 2017).

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.

¹ Section 34.031, Florida Statutes

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

³ Chapter 2013-44, Laws of Florida.

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 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 Okeechobee County Clerk of the Circuit Court's office covered 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 an 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.

⁴ Chapter 2017-126, Laws of Florida.

⁵ Section 28.36, Florida Statutes.

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

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

Table 1

| Year | Budgeted | Actual |
|------------------|-----------------|---------------|
| CFY 14-15 | \$1,239,977 | \$1,000,097 |
| CFY 15-16 | \$1,343,655 | \$1,007,781 |
| CFY 16-17 | \$1,246,535 | \$695,170* |

The Okeechobee County Clerk of the Circuit Court serves a population of 40,806⁸.

*Actual through June 30, 2017

The budgeted growth from October 2014 through September 2017 is .53%.

Table 2 shows the budgeted and actual full-time equivalent (FTE) positions for which 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 | 34.37 | 38.46 |
| CFY 15-16 | 34.37 | 38.11 |
| CFY 16-17 | 34.47 | 40.68 |

The budgeted FTEs increased by .29% for the period October 2014 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.

⁸ Office of Economic and Demographic Research Report Salaries of Elected County Constitutional Officer and School District Officials for FY 2016-2017, September 2016.

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, pagers, all computer networks, systems and equipment, including computer hardware and software, modems, printers, wiring, network connections, and maintenance.

For the 25 administrative expenditures selected for testing, we noted seven (7) instances in which the expenditures, contrary to statutory guidance, had been allocated as court-related costs, or were not authorized of record as being a reasonable administrative support cost.

- 1) We sampled two (2) expenditures in the amount of \$10 in CFY 14-15 and \$75 in CFY 16-17 for bottled water. The Clerk's office stated that the water was for jurors as well as employees. While water for jurors is allowable under Section 28.35(3)(a), F. S., water for employees should not be paid for out of State funds.

Upon further review, we noted total expenditures of \$1,047 for CFY 14-15, \$871 for CFY 15-16, and \$785 for CFY 16-17 (through June 30, 2017).

- 2) Although counties are required to fund the costs of communications services, we noted five (5) expenditures totaling \$2,770 for the purchase of software licensing for Microsoft Office 2016 and computer monitors that had been improperly charged to the court-related cost centers.

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 Clerks of the Court Trust Fund for the communications expenditures above totaling \$2,770. plus the amount for the cost of water allocated to the court, which should have been allocated as non-court.

Section 28.35(2)(f)7, F.S., requires the CCOC to identify and report any pay and benefit increases in the proposed clerk budget to the Legislative Budget Commission. The increases include, but are not limited to, cost of living increases, merit increases, and bonuses. The CCOC's budget instructions, in turn, instruct the Clerks to include these salary components in their CCOC budget forms (Tab I) submitted in June of each year.

The Clerk's office awarded merit bonuses to eligible employees during CFY 14-15, CFY 15-16, and CFY 16-17 (through June 30, 2017). While the Clerk included these salary components on the CCOC personnel costs budget form as a part of total personnel costs, pay and benefits increases should be itemized on the budget form (Tab I) to distinguish between cost of living increases, merit increases, and bonuses.

The budgetary aspects of not itemizing 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 itemize any pay and benefit increases they anticipate giving to employees in the upcoming fiscal year to the CCOC as part of the budget submission documents submitted for approval in June of each year.

Section 28.36, F.S., states that the CCOC provides guidance for and oversight of the budget procedures for the Florida Clerks of the Circuit Court. Our audit included an analysis of the Clerk's office cost center budgets, as submitted for CCOC review, and the accounting procedures for allocating and recording expenditures into those cost centers.

In several instances, we found that the submitted budget amounts had no relationship to the actual payroll costs and administrative expenditures being allocated to or recorded in the cost centers.

- 1) For three (3) cost centers with budgeted amounts, Jury Management, County Criminal, and County Civil, no actual payroll costs were either allocated to or paid from the cost centers. The Clerk's office stated that, for Jury Management, this occurred because employees from other departments have, for several years, covered the Jury Management area. For County Criminal and County Civil, the Clerk's office stated it was not practical to allocate expenditures to these cost centers because little or no activity had occurred there.
- 2) For other cost centers, Elected Clerk, Clerk Accounting, Official Records, and Information Systems, although the submitted budgets allocated employee FTEs (full-time-equivalent positions) for both court and non-court related duties, the Clerk's office stated that these employees were in practice fully (100%) funded by the Board of County Commissioners (BOCC).
- 3) For one (1) administrative expenditure tested, the Clerk's office indicated that the costs for office supplies (desk pads and batteries) were allocated equally among 11 cost centers. However, for the periods reviewed, no payroll costs had been recorded in three (3) of these cost centers, as stated above. Such costs would provide evidence that personnel did work in those cost centers, thus requiring the use of office supplies. The Clerk's office, although requested, did not identify its allocation method for this or any similar expenditures.

As the budgets of the Clerks of the Circuit Courts, as submitted to the CCOC, provide valuable information for the State's funding process, such budgets should properly reflect the assignment and work efforts of personnel, both within cost centers and between court-related and non-court related activities.

We recommend the Clerk's office implement methods for tracking the assignment and work efforts of its employees, and utilizing such information for determining proposed cost center budget amounts and FTE allocations. For example, the Clerk's office could track its employees' time and effort through random moment sampling or a time study as similarly used in the Federal Title IV-D grant programs. For routine administrative expenditures such office supplies, the Clerk's office should establish a methodology for allocating the expenditures to the cost centers in which purchased items are utilized.



**OFFICE OF
CLERK OF THE CIRCUIT COURT
AND COMPTROLLER**
312 Northwest Third Street, Suite 101
Okeechobee, Florida 34972
863.763.2131

SHARON ROBERTSON
Okeechobee County

February 27, 2018

JIMMY PARTONIS
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

RE: REPORT NO: 2018-22
COMPLIANCE AUDIT

Please consider the following as our response to the above referenced Audit Report:

- We concur with your recommendation to reimburse the Clerks of the Court Trust Fund for communication expenditures, plus the cost of water allocated to the court. We will promptly reimburse said expenditures. Furthermore, we will implement an additional review process to make certain that items are properly allocated.
- We concur with your recommendation for our office to itemize any pay and benefit increases they anticipate giving to employees in the upcoming fiscal year to the CCOC as part of the budget submission documents submitted for approval in June of each year. We will implement this itemization of anticipated expenditures submitted for approval as part of the budget process.
- We concur with your recommendation to implement methods for tracking the assignment and work efforts of our employees, and utilizing such information for determining proposed cost center budget amounts and FTE allocations. Currently, we have utilized a monthly allocation for overhead in Official Records based on a percentage for the court related recordings. In past years, we have utilized an overhead allocation that reflected the personnel expenditures of the court related functions. We will be implementing a method to track our employees' time and effort in a method similarly used in the Federal Title IV-D grant programs. For routine administrative expenditures, we agree to establish a methodology for allocating the expenditures to the cost centers in which purchased items are utilized.

Sincerely,


Sharon Robertson
Clerk of the Circuit Court and Comptroller