



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

May 2, 2018

The Honorable Hunter S. Conrad, Esquire
Clerk of Circuit Court
St. Johns County
4010 Lewis Speedway
St. Augustine, Florida 32084

Dear Mr. Conrad:

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 audit 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

**ST. JOHNS COUNTY
CLERK OF THE CIRCUIT COURT
COMPLIANCE AUDIT**

**Report No. 2018-25
April 18, 2018**

SUMMARY

The Department of Financial Services (DFS) has completed an audit of the St. Johns 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 five (5) instances, the expenditures had been improperly allocated as court-related costs, or were not authorized of record as being a reasonable administrative support cost.
- Overhead allocation methodologies could be improved.
- The Clerk's office did not adhere to statutory guidelines for the recording of service charges to the Public Records Modernization Trust Fund.

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 St. Johns County Clerk of the Circuit Court's Office covered CFY 14-15, CFY 15-16, and CFY 16-17. The audit included both a desk review for analysis and sample selection and an on-site visit for review of 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.

| Table 1 | | |
|-----------|-------------|-------------|
| Year | Budgeted | Actual |
| CFY 14-15 | \$3,732,667 | \$3,544,377 |
| CFY 15-16 | \$3,559,215 | \$3,017,060 |
| CFY 16-17 | \$3,454,175 | \$3,009,123 |

The St. Johns County Clerk of the Circuit Court serves a population of 220,257⁸.

The budgeted growth from October 2014 through September 2017 was -7.46%.

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 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 | 69.40 | 71.00 |
| CFY 15-16 | 70.37 | 64.00 |
| CFY 16-17 | 58.73 | 60.00 |

The budgeted FTEs decreased by -15.37% 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.

During our testing of the Clerk's office administrative expenditures, we noted five (5) instances in which the expenditure, 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) Although counties are required to fund the costs of communications services, we noted three (3) expenditures totaling \$6,565 for the purchase of software licensing and computer hardware that were improperly charged to the court-related cost centers.
- 2) In CFY 15-16, an expenditure in the amount of \$93 for business cards for a shared employee (time is shared between court and non-court) were charged solely to a court cost center, instead of being allocated properly between court and non-court cost centers.

- 3) In CFY 16-17, an expenditure in the amount of \$12 for membership dues to the Property and Evidence Association of Florida was allocated as court costs without authorization of record for the membership being a reasonable administrative support cost or that the membership was essential to the statutory duties and responsibilities of the Clerk's office.

We recommend 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 expenditures above for \$6,670.

The Clerk's office indicated it uses management estimates based on the job descriptions 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 for the 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.

Section 28.24(12)(d), F.S., requires the Public Records Modernization Trust Fund (PRMTF) to be held in trust by the Clerk and used exclusively for equipment and maintenance of equipment, personnel training, and technical assistance in modernizing the public records system of the office. The statute further describes two sources of funding from service charges on instruments; a \$1.50 service charge and a \$1.90 service charge. Sections 28.24(12)(d) and 28.24(12)(e)1, F.S., require that both the \$1.50 and the \$1.90, respectively, be deposited into the PRMTF.

During our review of salary expenditures, we noted that the Clerk's office established a separate fund entitled the Court Modernization Trust Fund to record revenues generated from the \$1.90 service charge and associated expenditures.

We recommend the Clerk's office adhere to the statutory guidelines for recording revenues and expenditures associated with the trust fund.



Hunter S. Conrad, Esq.
St. Johns County Clerk of the Circuit Court and Comptroller
Dedicated to Excellence-Committed to Improvement-Serving with Kindness
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April 23, 2018

Jimmy Patronis
Chief Financial Officer
State of Florida
200 East Gaines Street
Tallahassee, FL 32399-0301

RE: Report No. 2018-25

Dear Sir,

We are providing this response to the findings from the audit, performed pursuant to Florida Statute 28.35(2)(e), of the court-related expenditures of the St. Johns County Clerk of the Circuit Court for the County fiscal years 2014-2015, 2015-2016, and 2016-2017. In that regard, our responses are as follows:

1. Finding: Although counties are required to fund the costs of communications services, we noted three expenditures totaling \$6,565 for the purchases of software licensing and computer hardware that were improperly charged to court-related cost centers.

Response: The computers and software were purchased for the use of Court Clerks and Intake Clerks of the Court to assist directly in their roles in the Court system and their roles are as spelled out by Florida Statute 28.35 (3)(a). It is our interpretation that these purchases were not for the use of "communications services" as that term is defined by Florida Statute 29.008(1)(f).

2. Finding: In CFY 15-16, an expenditure in the amount of \$93 for business cards for a shared employee (time is shared between court and non-court) were charged solely to a court cost center, instead of being allocated properly between court and non-court cost centers.

Response: We concur with this finding and we review such costs in the future to assure that a proper allocation occurs.

3. Finding: In CFY 16-17, an expenditure in the amount of \$12 for membership dues to the Property and Evidence Association of Florida was allocated as court costs without authorization of record for the membership being a reasonable administrative support cost or that the membership was essential to the statutory duties and responsibilities of the Clerk's

office.

Response: This membership was obtained to allow our felony clerk, responsible for evidence handling, to maintain her professional certification. Because of this fact, our interpretation is that this was essential to performing the duties and responsibilities of the office and is allowed under Florida Statute 28.35 (3)(a).

4. Finding: The Clerk's office indicated it uses management estimates based on job descriptions 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.

Response: We will revise our system of FTE overhead allocations to follow the suggested recommendation.

5. Finding: Section 28.24 (12)(d), F.S. requires the Public Records Modernization Trust Fund to be held in trust by the clerk and used exclusively for equipment and maintenance of equipment, personnel training, and technical assistance in modernizing the public records system of the office. The statute further describes two sources of funding from service charges on instruments; a \$1.50 service charge and a \$1.90 service charge. Sections 28.24(12)(d) and 28.24(12)(e) 1, F.S., require that both the \$1.50 and the \$1.90, respectively, be deposited into the Public Records Modernization Trust Fund. During our review of salary expenditures, we noted that the Clerk's office established a separate fund entitled the Court Modernization Trust Fund to record revenues from the \$1.90 service charge and associated expenditures. We recommend the Clerk's office adhere to the statutory guidelines for recording revenue and expenditures associated with the trust fund.

Response: We will follow the recommendation and combine the funds from \$1.90 service charge funding with the funds of the \$1.50 service charge into one account – the Public Records Modernization Trust Fund.

If you need further information, please feel free to contact me.

Sincerely,

A black rectangular redaction box covering the signature of Hunter S. Conrad.

Hunter S. Conrad, Esq.
Clerk of the Circuit Court & Comptroller