



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

June 26, 2019

The Honorable Ronnie Fussell
Clerk of Circuit Court
Duval County
501 West Adams Street
Jacksonville, Florida 32202

Dear Mr. Fussell:

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,

[Redacted Signature]
Mark Merry
MM/jp

Enclosure



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

Florida Department of Financial Services

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

**Report No. 2019-39
June 26, 2019**

SUMMARY

The Department of Financial Services (DFS) has completed an audit of the Duval County Clerk of the Circuit Court.¹ 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 laws.² 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 18 instances totaling \$117,201, the expenditures had been improperly allocated as court-related costs.
- Internal controls and procedures could be improved.
- Allocation methodologies for payroll and administrative expenditures could be improved.

BACKGROUND

In 2013, the Florida Legislature passed legislation that removed the Clerks of the Circuit Courts from the State appropriations process.³ 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 one-twelfth (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 law.⁵ 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.

¹Section 34.031, Florida Statutes.

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

³Chapter 2013-44, Laws of Florida.

⁴Chapter 2017-126, Laws of Florida.

⁵Section 28.36, Florida Statutes.

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 law.⁶ 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 Duval County Clerk of the Circuit Court's Office covered County Fiscal Year (CFY) 16-17, CFY 17-18, and CFY 18-19 (through December 31, 2018). 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 laws.⁷
- 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, 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. Source: CCOC Budget Letter and Expenditure and Collection (EC) reports. CFY 16-17 includes juror expenditures through June 2017. CFY 17-18 and CFY 18-19 (through December 31, 2018) does not include juror expenditures.

Table 1		
Year	Budgeted	Actual
CFY 16-17	\$17,956,210	\$17,796,251
CFY 17-18	\$16,941,238	\$16,863,421
CFY 18-19	\$17,588,394	\$4,138,646 ⁸

The Duval County Clerk of the Circuit Court serves a population of 936,811.⁹

The budgeted growth from October 2016 through September 2019 was -2.05%.

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

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

⁸Actual through December 31, 2018.

⁹The Florida Legislature's Office of Economic and Demographic Research Report Salaries of Elected County Constitutional Officers and School District Officials for Fiscal Year 2018-2019, September 2018.

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.

Table 2		
Year	Budgeted FTEs	Actual FTEs
CFY 16-17	380.69	346.00
CFY 17-18	357.52	337.50
CFY 18-19	352.00	341.63 ¹⁰

The budgeted FTEs decreased by -7.54% for the period October 2016 through September 2019.

OBSERVATIONS AND RECOMMENDATIONS

Financial Reporting and Recording

Section (s.) 28.35(3)(a), Florida Statutes (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 above,
- Functions assigned by administrative orders which are not required for the Clerk to perform the functions above,
- Enhanced levels of service which are not required for the Clerk to perform the functions above, and
- Functions identified as local requirements in law or local optional programs.

Sections 29.008(1)(f)1 and 2, F.S., require 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. Communication services include also sounds of intelligence of any nature by wire, radio, optical, and audio equipment.

The City of Jacksonville (City) is a consolidated city/county political entity created by Chapter 67-1320 of the Laws of Florida. The Clerk of the Circuit Court is considered not only a county officer, but also an officer of the consolidated government, and therefore is considered part of the primary government.

¹⁰Actual through December 31, 2018.

During our testing of the Clerk's office administrative expenditures, we noted 18 instances in which the expenditures, contrary to statutory guidance, had been allocated as court-related costs or were not authorized of record as a reasonable administrative support cost.

- 1) Although counties are required to fund the costs of communications services, we noted 11 expenditures totaling \$114,933 that were paid from court funds. The expenditures included the following: a lease for Ricoh copiers used in various departments, renewal of a software license for the traffic department, software extended warranty used in various departments, replacement of a Microsoft Surface laptop, a Fiji document scanner pick roller assembly, Dell CTO 5060 Micro Desktops, Norcon speakers for the traffic department, and a lease agreement for copy machines used in various departments. Two (2) of the 11 expenditures were for the monthly payment of cell phone bills.

We recommend the Clerk's office ensure that its court-related expenditures are allowable according to s. 29.008, F.S. We also recommend the Clerk's office reimburse the Clerks of the Courts Trust Fund for the expenditures above for \$114,933.

- 2) The Clerk's office was unable to provide documentation to show that six (6) administrative expenditures totaling \$1,933 were reasonable administrative support costs necessary to enable the Clerk's office to carry out its court-related functions in accordance with Statutes as outlined above. These items included:

- Four (4) expenditures in the amount of \$1,188 for candy, balloons, flags, and support bracelets for a Domestic Violence Awareness kickoff event sponsored by the Clerk's office and,
- Two (2) expenditures in the amount of \$745 for a microwave and refrigerator for the employees' breakroom at a satellite branch.

We recommend the Clerk's office ensure that its court-related expenditures are allowable according to ss. 29.008 and 28.35(3)(a), F.S. and State expenditure guidelines. We also recommend the Clerk's office reimburse the Clerks of the Courts Trust Fund for the expenditures above for \$1,933.

- 3) Section 216.345, F.S., states that a State agency or the judicial branch may utilize State funds for paying dues for membership in a professional or other organization only when such membership is essential to the statutory duties and responsibilities of the State agency.

- We noted an expenditure in the amount of \$335 for the renewal of an Florida Institute of Certified Public Accountants (FICPA) membership. The Clerk's office was unable to demonstrate that the membership was essential to the statutory duties of the office.

We recommend that the Clerk's office ensure that its court-related expenditures are allowable according to s. 216.345, F. S. We also recommend the Clerk's office reimburse the Clerks of the Courts Trust Fund for the expenditures above for \$335.

- 4) Section 218.33, F. S., states that each local governmental entity shall follow uniform accounting practices and procedures as promulgated by rule of the department to assure the use of proper accounting and fiscal management by such units. Such rules shall include a uniform classification of accounts. The Department of Financial Services' Uniform Accounting System Manual outlines the uniform classification of accounts for units of local governments, and specifically, outlines the requirements for court-related account codes. These account codes are also used to prepare the annual Clerk of Court budget submitted to the CCOC.

- During our testing of the Clerk's administrative and payroll expenditures, we noted that the Clerk's office uses account numbers that have an account string that starts with 51xxxxx and go through 59xxxxx which is not consistent with the requirements of the Uniform Accounting System Manual. The account codes 5xx.xxx should be used for non-court-related expenditures and the codes 6xx.xxx should be used for court-related expenditures. The Clerk's office stated that these codes are consistent with the accounting codes used by the City.
- Although local governments entities are permitted to maintain more detailed accounts for their own use, policies should be in place to determine what expenditures should be charged to those accounts. During our testing, we noted the Clerk's office classifies its expenditures into two (2) different Funds – Fund 11001 and Fund 11002. All expenditures paid by the Clerk are charged to Fund 11002 and court-related expenditures paid through the City on behalf of the Clerk are charged to Fund 11001. There were no documented policies or procedures to determine what expenditures should be charged to each fund.

We recommend the Clerk's office record administrative and payroll expenditures in the general ledger using the expenditure account codes provided in the Uniform Accounting System Manual in a manner that properly allocates the expenditure to the cost center benefited. We also recommend the Clerk's office document in a written policy the procedures for classifying expenditures that should be paid from each of the above two (2) funds.

- 5) Section 110.1245(3), F. S., states that a department head or officer is authorized to present a token of recognition to retiring state employees whose service with the state has been satisfactory. In recognition of an employee's service, such awards may not exceed \$100 each plus applicable taxes. However, during our testing of the Clerk's office administrative expenditures, we noted the following:

- An expenditure in County Fiscal Year (CFY) 16/17 in the amount of \$121 (excluding sales tax) for an employee's retirement gift. This expenditure should not have exceeded the \$100 limit. In addition, the Clerk's Office was charged sales tax of \$8 even though they are a state government entity that is tax exempt.

We recommend the Clerk's office ensure that expenditures for service awards are within the allowable limit according to s. 110.1245 (3) F.S. In addition, we recommend that they monitor sales tax charges to ensure the Clerk's Office is utilizing its tax exemption.

- 6) The Clerk's office does not have a clear methodology for allocating payroll expenditures for shared employees who work on both court and non-court-related functions such as finance and accounting, human resources, and Information Technology. Their current methodology includes estimates of the time and effort of the indirect employees based on the ratio of other Clerk employees who worked solely on court-related functions to those that worked on both court and county-related functions. Upon inquiry, the Clerk's office was unable to provide supporting documentation for the actual time and effort the shared employees spent working on court-related vs. non-court-related functions.

Without accurate time-keeping of court and non-court related functions, the Clerk's office has no assurance that the estimates used for charging salaries to the State or used for budgeting purposes are accurate.

We recommend the Clerk's office establish a method for sampling employees' time and effort between court-related and non-court related activities to ensure the allocation of payroll expenditures reflects an accurate 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 such as a time study, or guidance such as that found in Code of Federal Regulation (2 CFR 200), Appendix V.

Internal Controls

The Clerk of Court maintains a \$2 million cash balance with the City from which the City draws funds to process payments on behalf of the Clerk's State operations. The cash balance covers the Clerk's office payroll and most court-related administrative expenditures. The City then bills the Clerk after the close of the month for all expenditures incurred by the City on behalf of the Clerk's court-related functions.

Our review of several invoices billed by the City disclosed that, in several instances, charges to the State were unallowable. The Clerk's office was unable to provide documentation of procedures to reconcile the expenditures billed by the City to its monthly payroll and court-related administrative expenditures to ensure that charges were not billed to the State when they should have been billed to the City.

The following administrative expenditures reviewed during our audit indicate that internal controls related to the Clerk's office review and monitoring of the City's billing need to be improved:

- 7) During our review of the November 2017 and August 2018 City bills to the Clerk's office, we noted an interest credit in the amount of \$132 and an interest expense amount of \$184, respectively. Although these amounts were shown on the face of the City's bill, there was no documentation such as the interest rate or other calculations to determine the basis for the amounts.

We recommend the Clerk's office maintain documentation supporting all interest credits and charges to ensure that all calculations are reasonable and accurate. We also recommend that the Clerk's office evaluate its cash management procedures in order to minimize interest charges from the City.

- 8) Our review found fleet expenditures for two (2) fiscal years that were charged to State funds when they should have been charged to the City/County. In CFY 16-17, the Clerk's office received an invoice in the amount of \$874 from the City of Jacksonville's Fleet Consolidated Billing Detail Report with a description of "Account Billing Only" on the statement. The Clerk's office stated that this was a charge for gas for the generator used for the courthouse. Also, in CFY 17-18, we noted an expenditure in the amount of \$1,890 from the City of Jacksonville's Fleet Consolidated Billing Detail Report. There was no description on the report to indicate the reason for this expenditure. The Clerk's office acknowledged that this charge was billed in error and a credit was requested from the City of Jacksonville back to the Clerk's account.

After informing the Clerk's office of these charges, they reviewed all the Fleet Reports from the City of Jacksonville for our audit period and discovered one (1) more charge from CFY 17-18 in the amount of \$1,130. A credit was requested from the City back to the Clerk's account for this charge.

We recommend that the Clerk's office review the monthly Fleet Consolidated Billing Detail Reports and supporting documentation from the City to ensure that incorrect charges are timely detected and not being billed inappropriately to the State.



Clerk of the Circuit & County Courts

DUVAL COUNTY
JACKSONVILLE, FLORIDA 32202

RONNIE FUSSELL
CLERK OF THE CIRCUIT COURT

TELEPHONE: 904-255-2097
FACSIMILE: 904-255-2157

July 17, 2019

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

RE: Duval County Article V Clerk of the Circuit Court Expenditure Compliance Audit

Dear Mr. Merry,

This letter is in response to report 2019-39 dated June 26, 2019 related to the Duval County Clerk of the Circuit Court compliance audit covering CFY 16-17, CFY 17-18 and CFY 18-19 (through December 31, 2018). We are pleased with the outcome of your review as it is the first review Duval County has had since 2011. Detailed below are our responses to the recommendations.

DFS Recommendation #1: We recommend the Clerk's office ensure that its court-related expenditures are allowable according to section 29.008, F.S. We also recommend the Clerk's office reimburse the Clerks of the Courts Trust Fund for the expenditures noted above for \$114,933.

Clerk Response to Recommendation #1: We partially agree with this finding. We will remit \$79,864.39 to the Clerks of Courts Trust Fund relating to cell phones and hardware items. We respectfully disagree with the recommendation for items totaling \$35,068.96 related to multifunction devices and a customer queuing system and associated maintenance. These items are not part of the integrated computer system referenced in FS 29.008(1)(f)(2). In addition, per FS 28.35(3)(a), we believe they are necessary expenses in order to carry out our court-related duties.

DFS Recommendation #2: We recommend the Clerk's office ensure that its court-related expenditures are allowable according to sections 29.008 and 28.35(3)(a), F.S. and State expenditure guidelines. We also recommend the Clerk's office reimburse the Clerks of the Courts Trust Fund for the expenditures above for \$1,933.

Clerk Response to Recommendation #2: We agree with the recommendation. It should be noted that \$1,188 was related to the Domestic Violence awareness campaign that makes the public aware of the services the Clerk's office provides related to Domestic Violence.

DFS Recommendation #3: We recommend that the Clerk's office ensure that its court-related expenditures are allowable according to section 216.345, F.S. We also recommend that the Clerk's office reimburse the Clerks of the Courts Trust Fund for the expenditures above for \$335.

Clerk Response to Recommendation #3: We partially agree with this recommendation. We feel the membership to the FICPA is related to the statutory duties and responsibilities of the Clerk's Office. Having professional staff, particularly Certified Public Accountants (CPA's) in the role of Chief Financial Officer, for a county as large as Duval, helps ensure that the collection and distribution of fines, fees, service charges and court costs for all court related functions are in compliance with current and changing accounting standards. We will however, outline specific written criteria for this in the future.

DFS Recommendation #4: We recommend the Clerk's office record administrative and payroll expenditures in the general ledger using the expenditure account codes provided in the Uniform Accounting System Manual in a manner that properly allocates the expenditure to the cost center benefited. We also recommend the Clerk's office document in a written policy the procedures for classifying expenditures that should be paid from each of the above two (2) funds.

Clerk Response to Recommendation #4: We partially agree with this recommendation. We will formalize the policy related to classifying expenditures related to the two funds utilized in the Clerk's Office. It should be noted that the set-up for these two funds is unique to Duval County because we are a consolidated City/County government and utilize the City of Jacksonville for payroll and a majority of our purchasing needs. Regarding the account structure for the general ledger, it was noted in the Performance and Compliance Review by the DFS dated January 4, 2012 (Report No. 2011-05), that "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 (USAM)." Our general ledger and account codes have not had significant changes since that report. In addition, we mirror the City's General Ledger structure since we are included in the City's CAFR.

DFS Recommendation #5: We recommend the Clerk's office ensure that expenditures for service awards are within the allowable limit according to section 110.1245 (3) F.S. In addition, we recommend that they monitor sales tax charges to ensure the Clerk's Office is utilizing its tax exemption.

Clerk Response to Recommendation #5: We agree with the recommendation.

DFS Recommendation #6: We recommend the Clerk's office establish a method for sampling employees' time and effort between court-related and non-court related activities to ensure the allocation of payroll expenditures reflects an accurate 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 such as a time study, or guidance such as that found in Code of Federal Regulation (2 CFR 200), Appendix V.

Clerk Response to Recommendation #6: We respectfully disagree with this recommendation. We have very limited staff that perform shared responsibilities, as we do not have any of the Comptroller duties. We perform a calculation each year and charge the City for the amount. The methodology used to allocate shared services is reviewed and approved by the City's internal auditors annually. Additional tracking of these employees' time spent between court and non-court activities on a daily basis is not cost efficient.

DFS Recommendation #7: We recommend the Clerk's office maintain documentation supporting all interest credits and charges to ensure that all calculations are reasonable and accurate. We also recommend that the Clerk's office evaluate its cash management procedures in order to minimize interest charges from the city.

Clerk Response to Recommendation #7: We partially agree with this recommendation. City internal auditors reviewed the interest credits and charges between the City and the Clerk of the Court. We reviewed and concurred with their systematic review. In addition, we review and perform an annual reconciliation with the city at the end of each fiscal year. Additional documentation of this review will be maintained in the future.

DFS Recommendation #8: We recommend that the Clerk's office review the monthly Fleet Consolidated Billing Detail Reports and supporting documentation from the City to ensure that incorrect charges are timely detected and not being billed inappropriately to the State.

Clerk Response to Recommendation #8: We agree with the recommendation.

We would like to thank your staff for the courtesy and professionalism extended to our office during the course of this audit. Please contact Allison Luker, Chief Financial and Administrative Officer, at allison.luker@duvalclerk.com or at 904-255-2413 should you have any questions regarding these responses.

Sincerely,



Ronnie Fussell
Duval County Clerk of the Circuit Court