



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

May 15, 2019

The Honorable Todd Newton
Clerk of Circuit Court and Comptroller
Gilchrist County
112 South Main Street
Trenton, Florida 32693

Dear Mr. Newton:

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/jf

Enclosure



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

Florida Department of Financial Services

**GILCHRIST COUNTY
CLERK OF THE CIRCUIT COURT
COMPLIANCE AUDIT
FINAL REPORT**

**Report No. 2019-38
May 15, 2019**

SUMMARY

The Department of Financial Services (DFS) has completed an audit of the Gilchrist 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 one (1) instance, the expenditure had been improperly allocated as a court-related cost.
- 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 Gilchrist 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) do not include juror expenditures.

Table 1

Year	Budgeted	Actual
CFY 16-17	\$483,920	\$444,602
CFY 17-18	\$471,197	\$463,188
CFY 18-19	\$489,197	\$109,200 ⁸

The Gilchrist County Clerk of the Circuit Court serves a population of 17,224.⁹

The budgeted growth from October 2016 through September 2019 was 1.10%.

⁶Section 28.35(2)(e), 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	10.26	8.08
CFY 17-18	9.28	8.08
CFY 18-19	9.28	8.08 ¹⁰

The budgeted FTEs decreased by -9.55% for the period October 2016 through September 2019.

OBSERVATIONS AND RECOMMENDATIONS

Section 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.

Section 29.008(1)(f)1, and 2, F.S., requires counties to fund the cost of communications services which include wireless communications, cellular telephones, facsimile equipment, 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 and payroll expenditures, we noted one (1) instance in which the expenditure, contrary to statutory guidance, had been allocated as a court-related cost, or was not authorized of record as a reasonable administrative support cost.

- Although counties are required to fund the costs of communications services, we noted one (1) expenditure in CFY 16-17 totaling \$278 for software system maintenance.

We recommend the Clerk’s office allocate as court-related expenditures only those costs authorized by Florida Statutes.

¹⁰Actual through December 31, 2018.

Effective internal controls require that all purchases be supported by adequate documentation that will support the approval, receipt of goods and services, and costs related to a purchase.

- For five (5) out of twenty (20) administrative expenditures sampled, the Clerk's office was unable to provide documentation indicating verification and approval that the goods received matched the goods ordered. The total for these five (5) items was \$1,079.

While we recognize the small size of the Clerk's office, we recommend the Clerk's office document that all goods ordered were authorized and that a separate individual verify and document that the goods ordered match the goods received.

The Clerk's office indicated it uses management estimates based on the job descriptions and specific duties of full time equivalents (FTEs) for the allocation of overhead and administrative expenditures 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 allocation of employees' time or administrative expenditures between court and non-court related functions.

Without an accurate basis for allocating costs, the Clerk's office has no assurance that the estimates used for budgeting purposes are accurate or need to be revised for the next budget cycle.

We recommend the Clerk office establish a method for sampling 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 such as a time study, or guidance such as that found in 2 CFR 200, Appendix V.



Office of Clerk of the Circuit Court & Comptroller Gilchrist County, Florida

Todd Newton
Clerk

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(352)463-3170
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CLERK OF THE CIRCUIT COURT
COUNTY COURT
BOARD OF COUNTY COMMISSIONERS
COMPTROLLER

May 14, 2019

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

Dear Mr. Patronis,

This letter is in response to your report number 2019-38, dated April 24, 2019. This report outlines the results of an Article V compliance audit of the Gilchrist County Clerk of Court. The audit was conducted to determine if court-related administrative and payroll expenditure accounts and office transactions are generally in compliance with applicable Florida Statutes.

I have reviewed the auditor's comments relating to our office and concur with the findings of the audit.

A. Observation: During the test of the Clerk's office administrative and payroll expenditures, we noted one instance in which the expenditure was allocated as a court-related cost that was contrary to statutory guidance.

Recommendation: We recommend the Clerk's office allocate as court-related expenditures only those costs authorized by Florida Statutes.

Response: Acknowledged and effective immediately, all future cost allocations will be done in compliance with guidance provide under Florida Statutes. Further, we will provide additional training and guidance regarding the applicable statutes.

B. Observation: For five of the twenty administrative expenditures sample, the office was unable to provide adequate documentation verifying and approval of goods received.

Recommendation: Within the context of a small office, we recommend the Clerk's office document that all goods ordered were authorized and that a separate individual verify and document that the goods ordered match the goods received.

Response: A mitigating control under these circumstances is the size of the office. Often, I am personally involved in authorizing purchases in the ordinary course of business. Because of our size, there is a very low probability of unauthorized expenditures. I am not only consulted before the order or purchase is made but additionally, I am very thorough in my review of the supporting documentation that accompanies all office expenditures. However, we will evidence documentation for goods or services with a signature approval.

C. Observation: The Clerk's office indicated it uses management estimates based on the job descriptions and specific duties of full-time equivalents (FTEs) for the allocation of overhead and

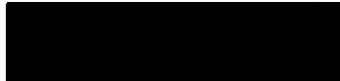
administrative expenditures between court and non-court related functions. Accounting estimates, however, should be based on an accumulation of relevant, sufficient, and reliable data and compared to subsequent actual data to determine the reliability of the estimate. The office was unable to provide supporting documentation for the allocation of employees' time or administrative expenditures between court and non-court related functions.

Recommendation: We recommend the Clerk office establish a method for sampling 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.

Response: We acknowledge the recommendation and believe our allocation accurately reflects the duties performed for our FTE, based on the working knowledge of the staff and workload. However, we will be reviewing an appropriate time and effort study, based on the size of our office and limited resources, to set a benchmark for the office. Once this standard has been set, we will review it with respect to the various court activities in the office and adjust accordingly.

Should you have any questions or require further information, please feel free to contact me or my Finance Director, Richard Romans at 352-463-4607 or 352-463-4600, respectively.

Sincerely,

A solid black rectangular box used to redact the signature of Todd Newton.

Todd Newton
Clerk of Circuit Court