



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

September 4, 2018

The Honorable Kellie Connell, CPA
Clerk of Circuit Court
Union County
55 West Main Street, Room 103
Lake Butler, Florida 32054

Dear Ms. Connell:

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

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

Florida Department of Financial Services

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

**Report No. 2018-28
August 27, 2018**

SUMMARY

The Department of Financial Services (DFS) has completed an audit of the Union 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:

- Internal controls and procedures could be improved.
- Payroll allocation methodologies could be improved.

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 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 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.

¹ Section 34.031, Florida Statutes.

² Sections 28.35(3)(a) 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.

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 Union County Clerk of the Circuit Court’s Office covered County Fiscal Year (CFY) 14-15, CFY 15-16, and CFY 16-17 (through 12/31/17). 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 | \$425,349 | \$433,137 |
| CFY 15-16 | \$433,849 | \$413,840 |
| CFY 16-17 | \$404,714 | \$402,970 |
| CFY 17-18 | \$397,598 | \$98,700* |

*Actual through December 31, 2017.

The Union County Clerk of the Circuit Court serves a population of 15,887⁸.

The budgeted growth from October 2014 through September 2018 was -6.52%.

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

⁷ Sections 28.35(3)(a) 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 | 8.86 | 10.30 |
| CFY 15-16 | 8.70 | 9.30 |
| CFY 16-17 | 8.78 | 9.30* |

*Actual through December 31, 2017.

The budgeted FTEs decreased by -0.90% for the period October 2014 through December 2017.

OBSERVATIONS AND RECOMMENDATIONS

Internal Controls

1. 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 six (6) out of 20 administrative expenditures sampled, we were unable to obtain documentation indicating verification and approval that the goods received matched the goods ordered. The total for these six (6) items was \$685.

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 document cross check to ensure the goods ordered match the goods received.

Payroll Allocation Methodology

2. 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's office 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.



Kellie Hendricks Connell, CPA

Clerk of the Circuit Court & Comptroller
Union County, Florida

September 5, 2018

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

Dear Mr. Merry:

This letter is in response to the recent Article V Clerk of the Circuit Court Expenditure Compliance Audit for Union County. Two observations and recommendations were noted in the audit report.

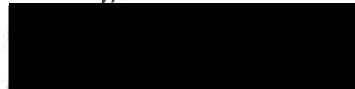
Internal Controls

It was noted that six items did not have documentation of verification and approval that the goods received matched the goods ordered, and that recommended a separate document be created to provide evidence of verification that the goods received matched the goods ordered. Union County Clerk of Courts, as noted in the audit report, is a small office, and this verification is completed upon receiving the order. In an environment where resources are already stretched thin, we look for and remove any inefficient processes and procedures. The recommended process is already being completed, but we will find a way to document it without creating an undue workload.

Payroll Allocation Methodology

Upon the implementation of Article V, a time study was done to determine proper allocation of employees that crossed over from Article V to other departments or funding sources. When personnel changes were made, these allocations were reevaluated. No significant personnel changes have been made under the current administration, and we are unable to locate the documentation of the time study previously conducted. Currently, there are seven (7) staff members that are funded partially or fully by the Clerk of Courts Trust Fund. Because of the small size of the office, the Clerk closely and directly supervises all staff, and therefore has a close working knowledge of their workloads and duties. For those staff that should be allocated between the Trust Fund and other sources, it is periodically inquired of those staff to ensure there have been no changes in their workload so that allocations are still accurate. Any additional time study or sampling method would be a large workload itself, and the benefits of such study would not outweigh the additional workload created. If changes in staffing or reassignment of duties creates a doubt that the current allocations are not accurate, a time study or similar testing will be conducted.

Sincerely,



Kellie Hendricks Connell, CPA
Union County Clerk of Circuit Court & Comptroller