



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

September 26, 2019

The Honorable Dana Johnson
Clerk of Circuit Court
Dixie County
Post Office Box 1206
Cross City, Florida 32628-1206

Dear Ms. Johnson:

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
Assistant Director

MM/hd

Enclosure



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

Florida Department of Financial Services

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

**Report No. 2019-45
September 25, 2019**

SUMMARY

The Department of Financial Services (DFS) has completed an audit of the Dixie 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 13 instances totaling \$4,625, the expenditures had been improperly allocated as court-related costs.
- Financial reporting and recording could be improved.
- Internal controls and procedures could be improved.
- Payroll allocation methodologies could be improved.
- Monthly reporting procedures 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

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.

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.

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 Dixie County Clerk of the Circuit Court's Office covered County Fiscal Year (CFY) 16-17, CFY 17-18, and CFY 18-19 (through March 31, 2019). 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 reports (EC Reports). CFY 16-17 includes juror expenditures through June 2017. CFY 17-18 and CFY 18-19 (through March 31, 2019) do not include juror expenditures.

Table 1

| Year | Budgeted | Actual |
|------------------|-----------|------------------------|
| CFY 16-17 | \$453,072 | \$442,828 |
| CFY 17-18 | \$425,421 | \$388,845 |
| CFY 18-19 | \$441,673 | \$366,939 ⁸ |

⁵Section 28.36, Florida Statutes.

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

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

⁸Actual through March 31, 2019.

The Dixie County Clerk of the Circuit Court serves a population of 16,726.⁹

The budgeted growth from October 2016 through September 2019 was -2.52%.

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.

| Year | Budgeted FTEs | Actual FTEs |
|------------------|----------------------|--------------------|
| CFY 16-17 | 9.23 | - |
| CFY 17-18 | 9.16 | _ ¹⁰ |
| CFY 18-19 | 8.36 | 7.16 ¹¹ |

The budgeted FTEs decreased by -9.43% for the period October 2016 through September 2019.

OBSERVATIONS AND RECOMMENDATIONS

Financial Reporting and Recording

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.

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 also include sounds of intelligence of any nature by wire, radio, optical, and audio equipment.

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.

¹⁰ The Clerk's office was unable to provide actual FTE counts for CFY 16-17 and CFY 17-18.

¹¹Actual through March 31, 2019.

1. During our testing of the Clerk's office administrative expenditures, we noted three (3) instances in which the expenditure, contrary to statutory guidance, had been allocated as a court cost, or was not authorized of record as a reasonable administrative support cost. The documentation provided by the Clerk's office did not demonstrate that the following expenditures were a reasonable administrative support cost or were essential to the statutory duties and responsibilities of the Clerk's office.
 - In CFY 16-17, the Clerk's office purchased Sam's club memberships and Dilotab II cold medicine for \$444 of which \$294 was charged to the State.
 - In CFY 17-18, the Clerk's office purchased Sam's club memberships for \$405 of which \$271 was charged to the State.

We recommend the Clerk's office ensure that its court-related expenditures are allowable according to section 28.35(3)(a), F.S. We also recommend that the Clerk's office reimburse the Clerks of the Court Trust Fund for the expenditures above totaling \$565.

2. Although counties are required to fund the costs of communication services, we noted ten (10) expenditures totaling \$5,704 of which \$4,060 was charged to the State. These expenditures included the following: a scanner, a printer, an Axiom 4GB memory upgrade, an Elite Desk computer, server components, a smart switch, a Zbook laptop, an exchange roller kit, a lease for a Zeno copier, and a smart ups server backup.

We recommend the Clerk's office should 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 above for \$4,060.

3. The EC Report reported monthly to the CCOC should be prepared so that it agrees with the underlying accounting records. Accordingly, the Clerk's office should be performing a reconciliation of the EC Report to the general ledger monthly to ensure that the amounts reported are accurate.

The Clerk's office was unable to provide supporting documentation for the basis of the numbers in the CCOC EC Reports we reviewed and was unable to provide evidence of a reconciliation.

We recommend that the Clerk's office implement procedures to support the balances in the CCOC EC Report and retain these documents for audit purposes.

Internal Controls

1. Bank signature cards should only list authorized signees. Also, only authorized individuals should have access authority to execute Electronic Funds Transactions (EFT) transactions.

During our audit, we noted that the bank signature card for the operating bank account included the former Clerk of the Circuit Court as well as the current Clerk. We also noted that a former employee had access authority for EFT. Upon inquiry, the Clerk's office stated that they were updating their signature cards and executing a new Automatic Clearing House (ACH) agreement.

We recommend that the Clerk's office ensure that their bank signature cards as well as EFT access authorities appropriately designate only authorized individuals.

2. Section 112.061(11)(b)1, F.S., states the Department of Financial Services shall furnish a uniform travel voucher form which shall be used by all state officers, employees, and authorized persons when submitting travel expense statements for approval and payment. Additionally, DFS Rule 69I-

42.003(1), Florida Administrative Code, requires signatures of both the traveler and the person authorizing the travel on the Travel Reimbursement Form.

In CFY 17-18, we noted one (1) instance in which the Travel Voucher for Reimbursement did not show indication of a review or a signature of approval for payment.

We recommend that the Clerk's office establish a travel policy whereby travel vouchers are approved by the Clerk or a designated approver.

3. Effective internal controls require that all purchases be supported by adequate documentation that supports the approval, receipt of goods and services, and costs related to a purchase. During our audit, we noted the following:

- One (1) out of the thirty (30) administrative expenditures sampled was not supported by an invoice or receipt.
- For ten (10) out of thirty (30) administrative expenditures sampled, the Clerk's office was unable to provide documentation indicating verification and approval that the goods received matched the goods ordered.
- Eighteen (18) out of thirty (30) administrative expenditures sampled did not have documented proof of authorization verifying that the items were approved for purchase. After further inquiry with the Clerk's office, we were informed that purchase orders are only produced if the expenditure is a "large dollar amount."

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. We also recommend that the Clerk's office establish an effective policy that sets a dollar threshold which would require the creation of a purchase order. When a purchase order is not necessary, written documentation of approval such as an email would provide an appropriate control.

4. Employee time sheets should be reviewed and approved by supervisory personnel to ensure accuracy. Also, review of completed payroll registers help detect unusual or inaccurate payments requiring further verifications before checks are distributed.

The Clerk's office employees manually record their time on paper timesheets. We noted two (2) instances where the calculations on the employees' timecards were incorrect. Although the timesheet indicated approval by the supervisor, we noted one (1) instance where the calculations on the employee's timecard were incorrect resulting in an overpayment of 3 hours. We noted another instance where the leave taken by the employee was calculated incorrectly resulting in the employee's annual leave balance being understated by .75 hours. Additionally, we noted there was no evidence of an approval or review of the payroll register by an authorized employee prior to release of payroll to the bank.

We recommend that time sheets be recalculated upon review and approval by supervisory personnel to ensure the accuracy of the hours worked. We further recommend the Clerk's office ensure that an authorized employee other than the individual preparing the payroll review the payroll registers prior to final release of the payroll to the bank.

5. Employees pay rates should be documented and approved in their personnel file. We noted an instance where an employee's payroll rate in the payroll system was not consistent with the personnel action form that was in the employee's personnel file.

We recommend the Clerk's office retain current and approved personnel action forms for all employees in their personnel files.

6. 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 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.

As shown in Table 2, the Clerk's office was unable to provide supporting documentation for the allocation of employees' time 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'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.

7. Bank reconciliations should be prepared monthly and any differences between the bank balances and general ledger cash accounts should be researched and explained. Bank reconciliations should include documentation of the individual who prepared and reviewed them, preparers and approvers initials or signatures, and dates of review.

The bank reconciliations were prepared and approved by the same individual without evidence of independent review. In addition, the bank reconciliation was incomplete for one (1) of the three (3) months tested. Additionally, one (1) of the three (3) reconciliations could not be located by the Clerk's office. We also noted two (2) instances where the Clerk's office was charged overdraft fees totaling \$455.

We recommend that bank reconciliations include documentation of the individual who prepared and reviewed them as well as documentation indicating the date prepared and reviewed. We also recommend the Clerk's office investigate the differences between the book balance and the bank statement balance for the unreconciled bank statement. Additionally, the Clerk's office should prepare reconciliations in a timely manner in the future, and that all reconciliations and bank statements be kept on file for audit purposes. We further recommend that the Clerk's office evaluate its cash management procedures to minimize overdraft fees from the bank.

Clerk of the Circuit and County Court

Dana D. Johnson
Dixie County Courthouse
214 Northeast Highway 351, Suite M
Post Office Box 1206, Cross City, Florida 32628-1206

September 30, 2019

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

IN RE: Letter dated September 26, 2019
Article V Clerk Expenditure Compliance Audit

Dear Mr. Merry,

As Clerk of the Circuit Court of Dixie County, Florida, I hereby submit to you my response to the above referenced letter.

Financial Reporting and Recording

1. During our testing of the Clerk's office administrative expenditures, we noted three (3) instances in which the expenditure, contrary to statutory guidance, had been allocated as a court cost, or was not authorized of record as a reasonable administrative support cost. The documentation provided by the Clerk's office did not demonstrate that the following expenditures were a reasonable administrative support cost or were essential to the statutory duties and responsibilities of the Clerk's office.

- In CFY 16-17, the Clerk's office purchased Sam's club memberships and Dilotab II cold medicine for \$444 of which \$294 was charged to the State.
- In CFY 17-18, the Clerk's office purchased Sam's club memberships for \$405 of which \$271 was charged to the State.

Recommendation:

We recommend the Clerk's office ensure its court-related expenditures are allowable according to section 28.35(3)(a), F.S. We also recommend that the Clerk's office reimburse the Clerks of the Court Trust Fund for the expenditures above totaling \$565.

RESPONSE: We will insure all court-related expenditures are allowable according to F.S. 28.35 (3) (a) and will reimburse the Clerk's Court Trust Fund \$565.00.

2. Although counties are required to fund the costs of communication services, we noted ten (10) expenditures totaling \$5,704 of which \$4,060 was charged to the State. These expenditures included the following: a scanner, a printer, an Axiom 4GB memory upgrade, an Elite Desk computer, server components, a smart switch, a Zbook laptop, an exchange roller kit, a lease for a Zeno copier, and a smart ups server backup.

Recommendation:

We recommend the Clerk's office should 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 above for \$4,060.

RESPONSE: We will insure all court-related expenditures are allowable according to F.S. 29.008 and will reimburse the Clerk's Court Trust Fund \$4,060.00.

3. The EC Report reported monthly to the CCOC should be prepared so that it agrees with the underlying accounting records. Accordingly, the Clerk's office should be performing a reconciliation of the EC Report to the general ledger monthly to ensure that the amounts reported are accurate.

The Clerk's office was unable to provide supporting documentation for the basis of the numbers in the CCOC EC Reports we reviewed and was unable to provide evidence of reconciliation.

Recommendation:

We recommend that the Clerk's office implement procedures to support the balances in the CCOC EC Report and retain these documents for audit purposes.

RESPONSE: We will implement procedures to support the balances in the CCOC EC Report and retain the documents for audit purposes.

Internal Controls

1. Bank signature cards should only list authorized signees. Also, only authorized individuals should have access authority to execute Electronic Funds Transactions (EFT) transactions.

During our audit, we noted that the bank signature card for the operating bank account included the former Clerk of the Circuit Court as well as the current Clerk. We also noted that a former employee had access authority for EFT. Upon inquiry, the Clerk's office stated that they were updating their signature cards and executing a new Automatic Clearing House (ACH) agreement.

Recommendation:

We recommend that the Clerk's office ensure that their bank signature cards as well as EFT access authorities appropriately designate only authorized individuals.

RESPONSE: We have corrected this finding by updating our bank signature cards and the EFT access by authorized individuals.

2. Section 112.061(1 l)(b)l, F.S., states the Department of Financial Services shall furnish a uniform travel voucher form which shall be used by all state officers, employees, and authorized persons when submitting travel expense statements for approval and payment. Additionally, DFS Rule 691-42.003(1), Florida Administrative Code, requires signatures of both the traveler and the person authorizing the travel on the Travel Reimbursement Form.

In CFY 17-18, we noted one (1) instance in which the Travel Voucher for Reimbursement did not show indication of a review or a signature of approval for payment.

Recommendation:

We recommend that the Clerk's office establish a travel policy whereby travel vouchers are approved by the Clerk or a designated approver.

RESPONSE: We have implemented a travel policy whereby the Clerk approves all travel vouchers.

3. Effective internal controls require that all purchases be supported by adequate documentation that supports the approval, receipt of goods and services, and costs related to a purchase. During our audit, we noted the following:
 - One (1) out of the thirty (30) administrative expenditures sampled was not supported by an invoice or receipt.
 - For ten (10) out of thirty (30) administrative expenditures sampled, the Clerk's office was unable to provide documentation indicating verification and approval that the goods received matched the goods ordered.
 - Eighteen (18) out of thirty (30) administrative expenditures sampled did not have documented proof of authorization verifying that the items were approved for purchase. After further inquiry with the Clerk's office, we were informed that purchase orders are only produced if the expenditure is a "large dollar amount."

Recommendation:

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. We also recommend that the Clerk's office establish an effective policy that sets a dollar threshold which would require the creation of a purchase order. When a purchase order is not necessary, written documentation of approval such as an email would provide appropriate control.

RESPONSE: We have implemented a policy which allows one individual authorizes goods ordered and a different individual verifies the goods ordered matches the goods received. We have also implemented a policy for any items ordered over \$1,000.00 requires a purchase order and for those items under \$1,000.00 an email approving the purchase will be

created and attached to the invoice.

4. Employee time sheets should be reviewed and approved by supervisory personnel to ensure accuracy. Also, review of completed payroll registers help detect unusual or inaccurate payments requiring further verifications before checks are distributed.

The Clerk's office employees manually record their time on paper timesheets. We noted two (2) instances where the calculations on the employees' timecards were incorrect. Although the timesheet indicated approval by the supervisor, we noted one (1) instance where the calculations on the employee's timecard were incorrect resulting in an overpayment of 3 hours. We noted another instance where the leave taken by the employee was calculated incorrectly resulting in the employee's annual leave balance being understated by .75 hours. Additionally, we noted there was no evidence of an approval or review of the payroll register by an authorized employee prior to release of payroll to the bank.

Recommendation:

We recommend that time sheets be recalculated upon review and approval by supervisory personnel to ensure the accuracy of the hours worked. We further recommend the Clerk's office ensure that an authorized employee other than the individual preparing the payroll review the payroll registers prior to final release of the payroll to the bank.

RESPONSE: We have implemented a policy whereby the Clerk reviews the timesheets for accuracy and the payroll registers prior to the final release of payroll to the bank.

5. Employees pay rates should be documented and approved in their personnel file. We noted an instance where an employee's payroll rate in the payroll system was not consistent with the personnel action form that was in the employee's personnel file.

Recommendation:

We recommend the Clerk's office retain current and approved personnel action forms for all employees in their personnel files.

RESPONSE: We will retain current and approved personnel action forms in all employees personnel files.

6. 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 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.

As shown in Table 2, the Clerk's office was unable to provide supporting documentation for the allocation of employees' time 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.

Recommendation:

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.

RESPONSE: We will 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.

7. Bank reconciliations should be prepared monthly and any differences between the bank balances and general ledger cash accounts should be researched and explained. Bank reconciliations should include documentation of the individual who prepared and reviewed them, preparers and approvers initials or signatures, and dates of review.

The bank reconciliations were prepared and approved by the same individual without evidence of independent review. In addition, the bank reconciliation was incomplete for one (1) of the three (3) months tested. Additionally, one (1) of the three (3) reconciliations could not be located by the Clerk's office. We also noted two (2) instances where the Clerk's office was charged overdraft fees totaling \$455.

Recommendation:

We recommend that bank reconciliations include documentation of the individual who prepared and reviewed them as well as documentation indicating the date prepared and reviewed. We also recommend the Clerk's office investigate the differences between the book balance and the bank statement balance for the unreconciled bank statement. Additionally, the Clerk's office should prepare reconciliations in a timely manner in the future, and that all reconciliations and bank statements be kept on file for audit purposes. We further recommend that the Clerk's office evaluate its cash management procedures to minimize overdraft fees from the bank.

RESPONSE: We have hired an outside financial consultant who will be preparing our bank reconciliations and have a stamp now for the reviewer and approvers initials and date of preparation and review. The consultant has been investigating and documenting the differences between the book balance and bank statement. Our consultant is completing the reconciliations in a timely manner which has minimized overdraft fees.

Sincerely,


Dana D. Johnson, Clerk of Circuit Court