



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

February 19, 2020

The Honorable Donald C. Spencer
Clerk of Circuit Court
Santa Rosa County
Post Office Box 472
Milton, Florida 32572

Dear Mr. Spencer,

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,

A large black rectangular redaction box covering the signature of Mark Merry.

Mark Merry

MM/jhf

Enclosure



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

Florida Department of Financial Services

**SANTA ROSA COUNTY
CLERK OF THE CIRCUIT COURT
COMPLIANCE AUDIT
FINAL REPORT**

Report No. 2020-50

February 19, 2020

SUMMARY

The Department of Financial Services (DFS) has completed an audit of the Santa Rosa 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 two (2) instances, the expenditures had been improperly allocated as court-related costs.
- Financial reporting and recording could be improved.
- 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 Santa Rosa County Clerk of the Circuit Court’s Office covered County Fiscal Year (CFY) 16-17, CFY 17-18, and CFY 18-19. 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 do not include juror expenditures.

Table 1

Year	Budgeted	Actual
CFY 16-17	\$2,838,734	\$2,838,734
CFY 17-18	\$2,725,998	\$2,725,998
CFY 18-19	\$2,830,132	\$2,830,132

The Santa Rosa County Clerk of the Circuit Court serves a population of 174,887.⁸

The budgeted growth from October 2016 through September 2019 was -5.37%.

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

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

⁸The Florida Legislature’s Office of Economic and Demographic Research Report Salaries of Elected County Constitutional Officers and School District Officials for Fiscal Year 2019-2020, September 2019.

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	67.44	58.66
CFY 17-18	64.80	57.83
CFY 18-19	70.77	59.51

The budgeted FTEs increased by 4.94% for the period October 2016 through September 2019.

OBSERVATIONS AND RECOMMENDATIONS

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.

County Funding

Section 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.

During our testing of the Clerk’s office administrative expenditures, we noted two (2) instances in which the expenditure, contrary to statutory guidance, had been allocated as court costs, or were not authorized of record as reasonable administrative support costs.

Although counties are required to fund the costs of communications services which include copiers and printers, in CFY 17-18, we noted that one (1) copier rental for \$99 was allocated as a court-related expenditure. In CFY 18-19, we noted one (1) transaction for two (2) copier rentals totaling \$219 was allocated as a court-related expenditure. These expenditures were for the base amount of the leases and not for any consumables related to the copiers.

We recommend that the Clerk's office ensure that its court-related expenditures are allowable according to s. 29.008, F.S.

Allocation Methodology

The Clerk's office does not have a clear methodology for allocating payroll and administrative expenditures for employees who work on both court and non-court-related functions. The Clerk's office indicated the use of estimated time and costs incurred on the behalf of the court, in relation to other cost centers, to allocate 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's office establish a method for sampling employees' time and effort between court-related and non-court related functions to ensure the allocation of payroll and administrative expenditures reflect an accurate appropriation of State funds. The methodology should include a basis for concluding whether the budgetary calculations are accurate. The Clerk's office may consider using a sampling method such as a time study, case file reporting, or guidance such as that found in Code of Federal Regulation (2 CFR 200), Appendix V.

Financial Reporting and Recording

Expenditure Allocations Inconsistent with Shared Full-time Equivalent (FTE) Allocations

Section 218.33(2) and (3)(d), F.S., state that each local governmental entity shall follow uniform accounting practices and procedures promulgated by rules of the department to assure use of proper accounting and fiscal management by such units. Such rules include a uniform classification of accounts. Each local governmental entity shall establish and maintain internal controls designed to ensure reliability of financial records and reports.

During our testing, we noted that payroll and administrative expenditures that pertain to both court and non-court are initially posted 100 percent to court. A lump sum budget transfer is later processed to remove the non-court expenditures from the court cost center. The Clerk's office was unable to provide documentation to support the basis for the amount of the budget transfer.

Additionally, the budget transfer is calculated using an average of all FTE allocation percentages within a cost center. For example, during our testing of the Clerk's office administrative expenditures, we noted the following five (5) instances in which the administrative expenditure allocations were not in accordance with the employee's FTE allocation resulting in an overcharge to the State of \$776.96. These expenditures included travel, Westlaw subscriptions, and Florida Bar dues, which were all expenditures specific to this employee.

CFY	Amount	% Used in Budget Transfer Back to the State	Calculated Amt of Budget Transfer	Employee's FTE Allocation Percentage	Calculation based on Employee's FTE Allocation	Amount Over Allocated to the State
16-17	546.28	75%	411.30	50%	273.14	138.16
16-17	775.46	75%	581.60	50%	387.73	193.87
17-18	265.00	75%	198.75	50%	132.50	66.25
17-18	1,199.00	75%	899.25	50%	599.50	299.75
18-19	315.61	75%	236.71	50%	157.81	78.90
Total	3,101.35		2,327.60		1,550.68	776.92

We recommend the Clerk's office record shared payroll and administrative 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 at the time the expenditure is incurred. We also recommend that the allocation percentages used to charge expenditures to the State be based on the employee's FTE allocation rather than an average. Alternatively, we recommend the Clerk's office itemize its budget transfer to the county in sufficient detail so that the expenditures can be traced back to the account where the expenditure initially incurred.

Internal Controls

Receiving Report

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

During our testing of the Clerk's office administrative expenditure, we noted three (3) instances in which the documentation reviewed did not show evidence that the Clerk's office reconciled the goods or services received with goods or services ordered prior to payment. The total for these three (3) items was \$1,106.

Absent sufficient and appropriate documentation of review, the Clerk's office has reduced assurance that they are paying for goods and services ordered. We recommend the Clerk's office have a separate individual verify and document that all goods and services received match the goods or services ordered.

Prior Authorization for Travel

Section 112.061(11)(a)1, F.S., requires that travel to a conference or convention must have prior authorization and approval before the travel occurs.

In CFY 16-17 and 17-18, we noted six (6) instances where prior authorization and the estimated costs to the state were not documented. Without prior authorization of travel, there is the potential risk for errors or irregularities.

We recommend the Clerk's office adhere to s. 112.061, F.S., which requires prior authorization for travel as described above. Any authorization form may be used as long as it contains the elements required by State law.

Travel Reimbursement Vouchers

The Santa Rosa County Employee Handbook, Section 512 states that travel is in accordance with s. 112.061, F.S. and uses the mileage reimbursement rates and per diem rates in accordance with the Governmental Services Administration. However, the travel policy does not outline the specific requirements stipulated in s. 112.061, F.S. As a result, we noted the following deficiencies in the six (6) travel documents reviewed:

1. The travel reimbursement forms used by the Clerk's office did not contain the elements required pursuant to Rule 69I-42.003(1), Florida Administrative Code. For example, critical expenditures related to the trip such as conference fees and hotels paid by purchasing card were not included on the forms.
2. Although the Employee Travel Policy states that "all out-of-county travel, by Santa Rosa County Board of County Commission employees, must be approved by the County Administrator", we noted one (1) instance in CFY 17-18 where the traveler signed the travel reimbursement form as both the traveler and the approver. There was no documented evidence of review by a secondary person prior to payment.
3. There was no documentation supporting the mileage claimed on the forms.
4. In CFY 17-18, we noted one (1) instance in which the travel period was not indicated on the travel reimbursement voucher form.

Without a documented travel policy that includes travel forms with all the statutory requirements, the Clerk's office has limited assurance that reimbursements for travel are accurate and properly authorized. Without a designated authority to review and approve the actual travel expenditures, there are potential risks for errors or irregularities.

We recommend the Clerk's office enhance the travel policy and travel forms in accordance with s. 112.061, F.S., to ensure the appropriate use of State funds. We further recommend that all travel reimbursements are carefully reviewed by a secondary person prior to payment to ensure all travel is in accordance with State laws.



DONALD C. SPENCER
CLERK OF THE CIRCUIT COURT & COMPTROLLER
SANTA ROSA COUNTY, FLORIDA

Clerk of the Circuit Court & Comptroller
Recorder of Deeds
Clerk and Accountant of the Board of County Commissioners
Custodian of County Funds
County Auditor

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Mark Merry
Assistant Director
Florida Department of Financial Services
200 East Gaines Street
Tallahassee, FL 32399

Dear Mr. Merry,

Please see our responses to your observations and recommendations below.

County Funding

We disagree with this observation and recommendation on County Funding. The expenditures are recorded within the court department in order to track the actual costs of this department. As explained and shown in detail provided during the audit, these costs are allocated out of the court funds to the county. Please see Attachment A item 1 which further shows this allocation and the underfunding by the State of Florida as required under Article V Section 14 of the State Constitution.

The State of Florida is required to provide adequate and appropriate supplemental funding from state revenues appropriated by general law under Article V Section 14 of the State Constitution.

Allocation Methodology

We disagree with this observation and recommendation on Allocation Methodology. Allocations used are a conservative estimate of input provided by the employees in the departments in which allocations are made. These estimates have been further verified through data inputs compiled and included as Attachment B. At a minimum we are under allocating the costs that should be charged to the State of Florida for court related functions. Due to these conservative estimates and the fact the State does not provide adequate and appropriate funding to the Clerk's office, we do not deem it necessary to verify this data on an annual basis due to the time and cost associated with compiling this data and the fact there are no significant changes within our operations.

Financial Reporting and Recording

We disagree with this observation and recommendation for the same reason as in County Funding. The expenditures are recorded within the court department in order to track actual costs of the department

and then allocated out of the court funds to the County. Please see Attachment A item 2 which shows the underfunding by the State of Florida as required under Article V Section 14 of the State Constitution.

Internal Controls

Receiving Report

All goods and services ordered are verified before payment is made. Payment for said goods and services is indication items have been verified.

Prior Authorization for Travel


All travel is approved prior to travel occurring. Employees do not have a clerk credit card, therefore they must have a supervisor book lodging and conference fees. The Clerk's office has not been using the Department of Financial Services form for preauthorization of travel, however we will implement the use of this form in the future.

Travel Reimbursement Vouchers

1. Noted.
2. The County Administrator has no input on Clerk of Court travel and is irrelevant in this instance. The instance noted was for the Clerk of Court's travel. The Clerk of Court answers to the citizens of Santa Rosa County and has no supervisor above him. The Clerk of Court's travel reimbursement forms are reviewed by the internal auditor. Going forward, we will have the internal auditor sign the Clerk of Court's travel reimbursements as the authorized signor.
3. Mileage claims are verified using Google Maps by a payables employee. These routes can be input into Google Maps at any time and will produce the same results.
4. Noted.

In reviewing the two previous Article V audits covering the fiscal years 2007 – 2012, there is no mention of the lack of use of the Department of Financial Services travel forms. We have been following those same procedures under the current audit period. All travel reimbursements are reviewed by a secondary person prior to payment and all travel that has been reimbursed is in accordance with State laws.

Sincerely,



Donald C. Spencer
Clerk of Court

Attachment A

	2019	2018	2017
Total Salaries & Benefits	3,401,345.82	2,978,072.62	3,068,647.38
Less Salary allocation to other departments	(292,836.71)	(252,366.88)	(260,360.88)
Total Operating Expenses	174,267.05	256,043.80	142,871.03
Less leased copier/printers	(4,568.66)	(1,189.44)	(703.75) A
Less 50% of Clerk attorney	(2,355.82)	(2,181.95)	(1,034.39) B
Less Clerk Admin allocated to other departments	(7,969.47)	(7,111.47)	(4,341.87) C
Less Southend allocated to other departments	(7,631.06)	(5,567.36)	(8,690.38) D
Less Family allocated to other departments	(9,555.39)	(21,991.14)	(7,098.38) E
Total amount that should have been funded by State of Florida	3,250,695.77	2,943,708.18	2,929,288.77
Actual amount funded by State of Florida	(2,992,785.00)	(2,885,466.29)	(2,766,361.62)
State of Florida Funding Deficit in violation of FL Constitution	257,910.77	58,241.89	162,927.15

Item 1

Items identified under County Funding observation

Great America Fin - Copiers

3,676.58

-

-

Xerox

892.08

1,189.44

703.75

4,568.66

1,189.44

703.75 **A**

Item 2

Items identified under Financial Reporting and Recording observation

West Law - J. English

4,446.63

4,098.90

1,803.77

Florida Bar - J. English

265.00

265.00

265.00

4,711.63

4,363.90

2,068.77

50% allocated to other departments

2,355.82

2,181.95

1,034.39 **B**

Finance

36,667.56

32,809.78

19,436.25

Less West Law & Florida Bar deducted separately tickmark **B**

(4,711.63)

(4,363.90)

(2,068.77)

Less Great America Fin deducted separately tickmark **A**

(78.06)

-

-

31,877.87

28,445.88

17,367.48

25% allocated to other departments

7,969.47

7,111.47

4,341.87 **C**

Southend

23,124.41

16,870.78

26,334.48

33% allocated to other departments

7,631.06

5,567.36

8,690.38 **D**

Family

33,624.06

74,493.25

24,365.00

Less Xerox deducted separately tickmark **A**

(1,332.42)

(1,189.44)

(703.75)

Less Great America Fin deducted separately tickmark **A**

(440.34)

-

-

31,851.30

73,303.81

23,661.25

30% allocated to other departments

9,555.39

21,991.14

7,098.38 **E**

Attachment B

Southend Service Center Allocation Support

2017				
Recording	4,627	0.17	771	6%
Passports	1,406	0.33	469	3%
Marriages	480	0.33	160	1%
Court Receipts	6134	2.00	12,268	90%
			13,668	

2018				
Recording	3,319	0.17	553	5%
Passports	1,441	0.33	480	4%
Marriages	549	0.33	183	2%
Court Receipts	4983	2.00	9,966	89%
			11,183	

2019				
Recording	5,066	0.17	844	7%
Passports	1,730	0.33	577	5%
Marriages	569	0.33	190	2%
Court Receipts	5276	2.00	10,552	87%
			12,163	

3 year average % 89%
Amount allocated to courts 67%

Clerk Finance Allocation Support

2017			
	Courts	Other*	Total
Journal Entries	37,682	3,431	
Checks	1,302	1,639	
Receipts	256	3,698	
	39,240	8,768	48,008
	81.74%	18.26%	

2018			
	Courts	Other*	Total
Journal Entries	35,979	3,435	
Checks	1,320	1,779	
Receipts	266	3,696	
	37,565	8,910	46,475
	80.83%	19.17%	

2019			
	Courts	Other*	Total
Journal Entries	36,508	3,184	
Checks	1,370	1,798	
Receipts	256	3,756	
	38,134	8,738	46,872
	81.36%	18.64%	

3 year average % 81%
Amount allocated to courts 75%

* - Other consists of Recording, Clerk to Board, Records Mod Trust Fund, Courts Technology, and IV-D Child Support
Percent of courts related work