



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

January 21, 2020

The Honorable Lora C. Bell
Clerk of Circuit Court
Washington County
1293 Jackson Avenue
Chipley, Florida 32428

Dear Ms. Bell:

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

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

Report No. 2020-49

January 21, 2020

SUMMARY

The Department of Financial Services (DFS) has completed an audit of the Washington 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 three (3) instances, 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 Washington County Clerk of the Circuit Court's Office covered County Fiscal Year (CFY) 16-17, CFY 17-18, and CFY 18-19 (through June 30, 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 (EC) reports. CFY 16-17 includes juror expenditures through June 2017. CFY 17-18 and CFY 18-19 (through June 30, 2019) do not include juror expenditures.

Table 1		
Year	Budgeted	Actual
CFY 16-17	\$557,978	\$537,821
CFY 17-18	\$525,813	\$525,813
CFY 18-19	\$545,900	\$418,062 ⁸

The Washington County Clerk of the Circuit Court serves a population of 24,985.⁹

The budgeted growth from October 2016 through September 2019 was -2.16%.

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

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

⁸Actual through June 30, 2019.

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	10.40	13.36
CFY 17-18	12.56	12.85
CFY 18-19	11.38	12.76 ¹⁰

The budgeted FTEs increased by 9.42% 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.

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.

Financial Reporting and Recording

During our testing of the Clerk's office administrative expenditures, we noted three (3) instances in which the computer software, contrary to statutory guidance, had been allocated as court-related costs, or were not authorized of record as being a reasonable administrative support cost.

Administrative expenditures in CFY 16-17 for \$670 and in CFY 17-18 for \$468 and \$500 for computer software were noted. The total for these three (3) items was \$1,638 for the audit period.

¹⁰Actual through June 30, 2019.

We recommend that the Clerk's office allocate as court-related expenditures only those costs authorized by Statute. We also recommend that the Clerk's office reimburse the Clerks of the Court Trust Fund for the expenditures above totaling \$1,638.

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 (UASM) 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 expenditures, we noted that the Clerk's office only records expenditures to four (4) cost centers. Therefore, all expenditures are not allocated to the appropriate cost center as outlined in the Uniform Accounting System manual. In response to our inquiry, the Clerk's office stated that they needed to reduce the number of cost centers to a more manageable number.

We recommend the Clerk's office record administrative expenditures in the general ledger using the expenditure account codes provided in the UASM in a manner that properly allocates the expenditure to the cost center benefited.

Internal Controls

The Clerk's Employee Policy states that "Deputy Clerks will be reimbursed mileage and per diem rates established under Chapter 112.061, F.S. and the current Federal mileage rate." This statement, however, is the only guidance related to travel that the Clerk's office provided. There is no documented travel policy that outlines the specific requirements stipulated in section 112.061, F.S. As a result, we noted the following deficiencies in the two (2) travel documents reviewed:

1. The travel reimbursement forms used by the Clerk's office did not contain the elements required pursuant to DFS Rule 69I-42.003(1). 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. There was no evidence of review by a secondary person prior to payment.
3. There was no documentation supporting the mileage claimed on the forms.
4. There were no departure or arrival times indicated on the forms.

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

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 administrative expenditures, we noted three (3) instances in which the Clerk's office was unable to provide documentation indicating that the Clerk's office reconciled the goods received with goods ordered prior to payment. The total for these three (3) items was \$957.

We recommend the Clerk's office have a separate individual verify and document that all goods received matched the goods ordered.

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. Their current allocation methodology is based on the ratio of 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 timekeeping 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 and administrative expenditures reflects an accurate appropriation of State funds. The methodology should include a basis for concluding whether the budgetary calculations 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.



January 31, 2020

Mark Merry, Assistant Director
Division of Accounting & Auditing
Office of Chief Financial Officer Jimmy Patronis
Florida Department of Financial Services

To whom it may concern:

I am in receipt of the Washington County Clerk of The Circuit Court Compliance Audit Report No. 2020-49, dated January 21, 2020, and offer my response to the audit findings. Accordingly, the following comments are provided.

Financial Reporting and Recording:

The three items noted in this section, where administrative expenditures totaling \$1,638 were allocated as court-related costs, were due to a misinterpretation of what is considered "reasonable administrative support costs." Nonetheless, as per your recommendation, we have reached out to the office of the Florida Clerks of Court Operations Corporation for guidance on how this amount should be returned to the Trust Fund.

The other finding in this section of your report relates to how administrative costs are currently being allocated to the various affected cost centers. We are currently evaluating our methodology considering any changes that might be necessary to ensure that expenditures are properly allocated to the cost center benefited.

Internal Controls:

As to the finding related to our use of an incomplete travel reimbursement form, this item has been corrected. With assistance from your office we have updated the forms used for authorization and reimbursement of approved travel expenses.

The second finding in this section of your report relates to our failure to provide documentation that goods received were reconciled to goods ordered prior to payment of three invoices totaling \$957. Due to limited resources and limited staff our office does not have a separate individual

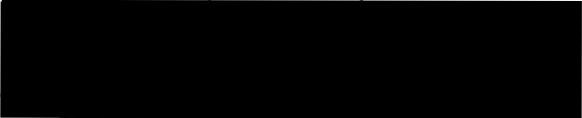
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to verify and document that all goods received match the goods ordered prior to payment. We do acknowledge, however, that effective internal controls are important and feel we have a control structure that is adequate for our operation. The invoices noted in your findings are considered isolated incidents and not an indication of a systemic failure.

Allocation Methodology:

This finding relates to the method we currently use to allocate payroll and related costs to the various functional cost centers within our office. Most employees work exclusively in either court-related activities or non-court related activities, thus making any allocation unnecessary. The employees who do work in both activities are generally involved in financial and administrative functions which make measuring actual time worked in any given area very impractical. We do acknowledge that our allocation methodology involves the use of estimates but feel such methodology is reasonable for the size of our office and the resources available to work with.

Respectfully submitted,



Honorable Lora Bell, Clerk of Court
Washington County, Florida