



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

August 7, 2020

The Honorable Alice Vickers
Clerk AD Interim of Circuit Court
Holmes County
201 North Oklahoma Street
Bonifay, Florida 32425

Dear Ms. Vickers,

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/jf

Enclosure

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

Mark Merry • Assistant Director
Division of Accounting and Auditing

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

Florida Department of Financial Services

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

**Report No. 2020-55
August 4, 2020**

SUMMARY

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

- Allocation methodologies for payroll expenditures could be improved.
- Internal controls and 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 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.

¹Section 34.031, Florida Statutes.

²Sections 28.35(3)(a) and 29.008, Florida Statutes.

³Chapter 2013-44, Laws of Florida.

⁴Chapter 2017-126, Laws of Florida.

⁵Section 28.36, Florida Statutes.

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

SCOPE

The audit of the Holmes County Clerk of the Circuit Court's Office covered County Fiscal Year (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 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 17-18 and CFY 18-19 do not include juror expenditures.

Table 1

Year	Budgeted	Actual
CFY 17-18	546,603	546,603
CFY 18-19	567,484	514,571

The Holmes County Clerk of the Circuit Court serves a population of 20,133.⁸

The budgeted growth from October 2017 through September 2019 was 3.82%.

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 17-18	8.73	9.32
CFY 18-19	9.85	9.83

The budgeted FTEs increased by 12.83% for the period October 2017 through September 2019.

⁷Sections 28.35(3)(a) and 29.008, 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.

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; data collection and reporting; 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.

Allocation Methodology

The Clerk's office does not have a clear methodology for allocating payroll 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. 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 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 charging salaries to the State or used for budgeting purposes.

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 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.

Internal Controls

Purchasing Policy

Effective internal controls require the implementation of a Purchasing Policy as well as a Purchasing Card (P-Card) Policy to reduce risks associated with procurement not being properly conducted and to ensure that all individuals involved in the procurement of goods and services have a clear understanding of their role and what is required of them. In addition, 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 five (5) instances in which the expenditure did not show proof of authorization verifying that the items were approved for purchase. The total for these five (5) items was \$1,438. We also noted three (3) instances in which the documentation did not show evidence that the goods or services received agreed with goods or services requested. The total for these three (3) items was \$4,043.

Subsequent to our field visit, the Clerk's office implemented a Purchasing Policy requiring issuance of Purchase Orders for the procurement of any goods and services, as well as verification and documentation of all goods and services received.

We recommend the Clerk's office enhance the Purchasing Policy to include P-Card procedures and guidelines to ensure that purchases are in accordance with policy. We recommend the Clerk's office document that all purchases are authorized, and to have a separate individual verify and document that all goods and services received match the goods or services ordered.

Travel Reimbursement Vouchers

The Holmes County Travel Policy states that travel is in accordance with s. 112.061, F.S. and the rules prescribed by the Florida Administrative Code. The travel policy, however, does not outline the specific requirements stipulated in s. 112.061, F.S. 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), Forms, requires signatures of both the traveler and the person authorizing the travel on the Travel Reimbursement Form.

We noted (1) instance in CFY 18-19 where there was no documented evidence of review of the Travel Reimbursement Forms by a secondary person prior to payment.

We 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.

Bank Reconciliations

Bank reconciliations should include documentation of the individuals who prepare and review the reconciliations as well as the dates of each.

During our testing of the bank reconciliations, we noted that the Finance Director provides the bank statements along with all documentation to the Clerk of Court for review. After review, the Clerk initials the bank statements and reconciliations; however, there was no formal documentation of the individuals who prepared the reconciliations.

While we recognize the small size of the Clerk's office staff, we recommend that the bank reconciliations include documentation of the individual who prepared and reviewed them as well as documentation indicating the date prepared and reviewed.



HOLMES COUNTY CLERK OF COURT

P.O. Box 397
Bonifay, FL 32425
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Fax: (805) 547-6630
Email: avickers@holmesclerk.com

August 11, 2020

Mr. Mark Merry, Assistant Director
Florida Department of Financial Services
Division of Accounting and Auditing
200 East Gaines Street
Tallahassee, Florida 32399-0353

Dear Mr. Merry:

In reference to your letter dated August 7, 2020, please see the following response to your findings and recommendations:

Allocation Method

Due to Covid-19 restrictions, our normal operations have temporarily changed and it would not be an appropriate time to prepare a new study of employees' time and effort. When we return to normal operations, we will establish a schedule for periodic time studies to be completed for verification of correct payroll expense appropriation of State funds.

Internal Controls

- A. Purchasing Policy – As noted in your report, we have now adopted a written purchasing policy and purchase orders are issued for each purchase.
- B. Purchasing Card Policy – We do not utilize purchasing cards. However, we do have a credit card. We have been following the policy noted above for any credit card purchases. To clarify this issue, we will add a written statement to the current policy to specifically note that a credit card purchase will follow the same procedure.
- C. Purchase Verification – We have noted that you are recommending that all purchases be authorized and to have a separate individual verify and document that all goods and services received match the goods or services ordered. All purchases made are currently authorized by the Clerk. We will implement the recommendation to have a separate individual verify and document purchases to the greatest extent possible with our small staff.

Travel Reimbursement Vouchers

We will update our travel policy to specifically include the language from F.S. 112.061(11)(b)1. Even though this language was not previously included, we have been following this as policy. The voucher in question was inadvertently paid without my signature on the travel voucher. The Clerk's Finance Director will monitor travel expenses more closely to ensure that both signatures are present before payment is issued.

Bank Reconciliations

The Clerk's Finance Director currently initials each bank reconciliation and she will also begin noting the date she prepares them. I currently initial them upon review and I will also begin noting the date I review them.

If you need additional information, please contact me at avickers@holmesclerk.com or you may call me at (850) 547-1100.

Sincerely,

Alice Vickers
Clerk Ad Interim