

October 5, 2020

The Honorable Grant Maloy Clerk of Circuit Court Seminole County Post Office Box 8099 Sandford, Florida 32772-8099

Dear Mr. Maloy,

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 <u>kim.holland@myfloridacfo.com</u> if you have any questions.

Sincerely,

MM/jf

Enclosure

JIMMY PATRONIS CHIEF FINANCIAL OFFICER STATE OF FLORIDA

Florida Department of Financial Services

SEMINOLE COUNTY CLERK OF THE CIRCUIT COURT COMPLIANCE AUDIT

Report No. 2020-57 October 2, 2020

SUMMARY

The Department of Financial Services (DFS) has completed an audit of the Seminole County Clerk of the Circuit Court. 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. 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:

- Financial reporting and recording could be improved.
- Allocation methodologies for administrative and payroll 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.

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

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.

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 Seminole County Clerk of the Circuit Court's Office covered County Fiscal Year (CFY) 17-18, CFY 18-19, and CFY 19-20 (through December 31, 2019). The audit consisted of a desk review that included an analysis of sample selection with 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.
- 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, CFY 18-19, and CFY 19-20 do not include juror expenditures.

Table 1

Year	Budgeted	Actual
CFY 17-18	\$8,018,619	\$7,934,820
CFY 18-19	\$8,324,931	\$8,318,721
CFY 19-20	\$8,901,420	\$2,065,4538

The Seminole County Clerk of the Circuit Court serves a population of 463,560.9

The budgeted growth from October 2017 through September 2020 was 11%.

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.

⁷Sections 28.35(3)(a) and 29.008, Florida Statutes.

⁸Actual through December 31, 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 2019-2020, September 2019.

Table 2

Year	Budgeted FTEs	Actual FTEs
CFY 17-18	142.19	126.63
CFY 18-19	146.93	141.17
CFY 19-20	146.39	137.32

The budgeted FTEs increased by 2.95% for the period October 2017 through September 2020.

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; 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.

Financial Reporting and Recording

The Uniform Accounting System Manual Account Codes

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' <u>Uniform Accounting System Manual</u> (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 payroll and administrative expenditures, we noted that the Clerk's office recorded expenditures using "Business Units" that vary from the expenditure account codes provided in the <u>UASM</u>. They are, however, in the process of implementing a new process which allow the use of the UASM codes.

We recommend the Clerk's office continue its plan to establish an accounting system capable of accommodating the use of the UASM codes.

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 total number of employees 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 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 are accurate or need to be revised for the next budget cycle.

As a best practice, 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.



GRANT MALOY

Clerk of the Circuit Court and Comptroller Seminole County

October 6, 2020

The Honorable Jimmy Patronis Chief Financial Officer State of Florida 200 Gaines Street Tallahassee, FL 32399-0353

Dear Mr. Patronis:

This letter is in response to your Report No. 2020-57, dated October 2, 2020, related to the Seminole County Clerk of the Circuit Court compliance auditing covering CFY 17-18, CFY 18-19 and CFY 19-20. In response to your observations and recommendation, our comments are as follows:

A. **DFS Recommendation**: We recommend the Clerk's office continue its plan to establish an accounting system capable of accommodating the use of the UASM codes.

Response: We will continue to work on the implementation of an accounting reporting system capable of reporting under the UASM codes.

B. **DFS Recommendation**: We recommend the Clerk's office establish a method for sampling employees' time and effort between court-related functions to ensure the allocation of payroll expenditures reflect an accurate appropriation of State Funds.

Response: We recently conducted a six-week time study of our court employees currently involved in conducting both court duties and non-court duties to ensure our allocation of payroll expenditures is accurate. We have also implemented allocations based on case counts and other performance measures. In connection with our allocation of administrative employees, we continue to believe that the use of an allocation ratio of court-related FTE's to non-court related FTE's continues to be the most accurate reflection of the efforts of shared employees.

Should you have any questions or require further information, please feel free to contact me or Mary Moschler, Director of Clerk's Finance.

Grant Maloy
Clerk of the Circuit Court and Comptroller
Seminole County, FL