

State of Florida
Florida Department of Financial Services

Division of Accounting & Auditing
Bureau of Auditing

Article V Quarterly Audit Report
(January – March 2017)



April 2017

PURPOSE OF REPORT

In accordance with Chapter 2016-66, Laws of Florida, line item 2313, please allow this report to serve as the Department of Financial Services (DFS) quarterly report to summarize the efforts made by our office to audit all court related expenditures of the clerks of court pursuant to sections 28.241 and 28.35, Florida Statutes (F.S.), during the quarter January 1, 2017 to March 31, 2017.

CHIEF FINANCIAL OFFICER'S AUTHORITY

Section 17.03, (F.S.), provides that the Chief Financial Officer, using generally accepted auditing procedures for testing or sampling, shall examine, audit and settle all accounts, claims and demands whatsoever, against the state, arising under any law or resolution of the Legislature, and issue a warrant directing the payment out of the State Treasury of such amount as he or she allows.

Section 28.35(2)(e), F.S., provides that DFS, Bureau of Auditing (Bureau), will conduct an audit of the Clerks of Court (Clerk) by examining court related expenditures. The Bureau will audit court related expenditures of State funds to determine compliance with Section 28.35(3)(a), F.S., and whether the expenditures were properly authorized, recorded, and supported.

AUDIT OBJECTIVES

The following objectives have been established for the audit of court related expenditures:

- 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.
- Evaluate whether expenditures were within the budgeted appropriations.
- Evaluate the accuracy and completeness of expenditures reported on the Court Expenditures and Clerks' Trust Fund Collections Tracking Reports.
- Evaluate whether court related expenditures are in compliance with section 28.35(3) (a) and 28.37(2), F.S.
- Evaluate whether court-related expenditures are properly authorized, recorded, and supported.
- Evaluate whether Clerk's salary and total payroll costs are within the applicable caps established by the Florida Legislative Committee on Intergovernmental Relations.
- Evaluate whether court-related salary expenditures are properly authorized, recorded, and supported.

AUDIT FINDINGS

The Department completed three (3) audits during this quarter. Below is a summary of the observations and recommendations associated with these audits. The audit reports can be found on the DFS Website at: <http://www.myfloridacfo.com/Division/AA/AuditsReviews/default.htm>.

COLLIER COUNTY CLERK OF COURT

On January 19, 2017, the Department released its report (Report 2016-09) on the audit conducted on the Collier County Clerk of Court. Based upon its review of Collier County, with the exception of the item mentioned below, DFS found the Clerk's budgeting practices and expenditure of State funds to be efficient and accurate.

The following observation and recommendation was noted in the Collier County report:

The Clerk's Office stated that the allocation of time between court and non-court related functions for indirect employees is based on management estimates. These 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 documentation supporting its allocation of time for indirect employees to court related functions. Consequently, we could not verify the accuracy of the indirect overhead of the Full-time Employees (FTEs). Without accurate time-keeping of court and non-court related functions, the Clerk 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 establish a method for tracking employees' time and effort between court related and non-court related activities to ensure accuracy in the budgeting process and the 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 similar to the Title IV-D process that includes random moment sampling or a time study.

POLK COUNTY CLERK OF COURT

On February 9, 2017, the Department released its report (Report 2017-10) on the audit conducted on the Polk County Clerk of Court. Based upon its review of Polk County, with the exception of the item mentioned below, DFS found the Clerk's budgeting practices and expenditure of State funds to be efficient and accurate.

The following observation and recommendation was noted in the Polk County report:

Section 28.35(2)(f)7, F.S., requires the Clerk of Court Operations Corporation (CCOC) to identify and report any pay and benefit increases in the proposed clerk budget to the Legislative Budget Commission. The increases include, but are not limited to, cost of living increases, merit increases, and bonuses. The CCOC's budget instructions, in turn, instruct the Clerks to include these salary components in their CCOC budget forms (Tab I) submitted in June of each year.

The Clerk's Office awarded education incentives and merit bonuses to eligible employees during the review period. While the Clerk included these salary components on the CCOC personnel costs budget form as a part of total personnel costs, pay and benefits increases should be itemized on the budget form (Tab I) to distinguish between incentives, merit increases, and bonuses.

The budgetary aspects of not itemizing anticipated expenditures in the Clerk's budget submission prevents the State from having a full understanding of the total costs needed to operate the Clerk's office. In order to reflect those actual costs, we recommend that the Clerk's office itemize any pay and benefit increases they anticipate giving to employees in the upcoming fiscal year to the CCOC as part of the budget submission documents submitted for approval in June of each year.

BREVARD COUNTY CLERK OF COURT

On February 9, 2017, the Department released its report (Report 2017-11) on the audit conducted on the Brevard County Clerk of Court. Based upon its review of Brevard County, with the exception of the item mentioned below, DFS found the Clerk's budgeting practices and expenditure of State funds to be efficient and accurate.

The following observation and recommendation was noted in the Brevard County report:

Bank reconciliations should be performed by an employee who does not have custody of or access to bank accounts or cash and who does not authorize, record, or adjust cash receipt or cash disbursement transactions.

During our testing of the bank reconciliations, we noted that the reconciliation reports were prepared and approved by the Clerk's Finance Director. The Finance Director is also an authorized signer on the bank accounts and therefore has authority to write checks.

We recommend that bank reconciliations be performed by an employee or official who does not have custody or access to cash and who does not record cash receipts, cash disbursements, or journal entry transactions.

ACTIVITIES FOR THE REPORTING PERIOD

In addition to completing the Collier County, Polk County, and Brevard County reviews, the Department completed field work for Gulf and Alachua Counties. Also, the draft report for DeSoto County is in its final stages.

PLANNED ACTIVITIES FOR THE NEXT REPORTING PERIOD

The Department will finalize the reports for Gulf and Alachua Counties.

The Department is planning to conduct audits for Indian River, Lake, Martin, and St. Lucie Counties in the next quarter.