**State of Florida**

**Florida Department of Financial Services**

**Division of Accounting & Auditing**

**Bureau of Auditing**

**Article V Quarterly Audit Report**

**(July – September 2017)**

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**October 2017**

# **Purpose of report**

In accordance with Chapter 2017-70, Laws of Florida, line item 2329, 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, F.S., during the quarter July 1, 2017 to September 30, 2017.

# **Chief Financial Officer’s Authority**

Section 17.03, Florida Statutes (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 (for audit periods prior to July 1, 2017).
* 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 Legislature’s Office of Economic and Demographic Research.
* Evaluate whether court-related salary expenditures are properly authorized, recorded, and supported.

# **Audit Findings**

The Department completed two (2) 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>.

## **Lake County Clerk of Court**

On July 5, 2017, the Department released its report (Report 2017-15) on the audit conducted on the Lake County Clerk of Court. The following findings were noted in the Lake County report:

**1**. The cost of cellular telephones was being paid by the court as a payroll stipend. According to section 29.008(1)(f)1, F.S., the county is required to fund the cost of communication services, including cellular telephones.

We recommend all court related expenditures comply with section 28.35 (3)(a), F.S.

**2**. Payroll allocation percentages charged to the court should be based on a documented time-keeping methodology.

We recommend the clerk establish a method for tracking employees’ time and effort between court-related and non-court related activities.

## **DeSoto County Clerk of Court**

On August 21, 2017, the Department released its report (Report 2017-16) on the audit conducted on the DeSoto County Clerk of Court. The following findings were noted in the DeSoto County report:

1. **The following internal control issues were noted:**

The Clerk’s office failed to maintain accounting records to support disbursements; recorded expenditures were not supported by invoices or receipts; proof of authorization for purchases were not maintained; and bank reconciliations were incomplete.

We recommend all accounting records be retained for a minimum of five (5) years; and the purchases of goods and services include all supporting documentation.

**2**. **The following financial reporting and recording issues were noted:**

The Clerk’s office did not use the proper accounting codes to support expenditures; did not maintain documentation to support filed COCC reports; and authorizations to support payroll costs.

We recommend the Clerk’s office utilize all expenditure codes, retain all supporting documentation for the CCOC Expenditure and Collections Report, and document all changes in personnel salaries.

**3**. **The following payroll allocation issue was noted:**

Payroll allocation percentages charged to the court should be based on a documented time-keeping methodology.

We recommend the clerk establish a method for tracking employees’ time and effort between court-related and non-court related activities.

For more information on the above counties, see the completed reports at: <http://www.myfloridacfo.com/Division/AA/AuditsReviews/default.htm>

# **Activities for the reporting period**

In addition to completing the Lake County and DeSoto County reviews, the Department completed field work for St. Lucie, Martin, Liberty, Sumter, and Monroe Counties. The Department scheduled the Miami-Dade County review for the week of September 18th , but had to postpone because of Hurricane Irma. The Department is working with the County to re-schedule for a later date.

# **Planned Activities for the next reporting period**

The Department will finalize the reports for St. Lucie, Martin, Liberty, Sumter, and Monroe Counties.

The Department is planning to conduct audits for Okeechobee and Levy Counties in the next quarter.