

**State of Florida**  
**Florida Department of Financial Services**

**Division of Accounting & Auditing**  
**Bureau of Auditing**

**Article V Quarterly Audit Report**  
**(April – June 2016)**



**July 2016**

## PURPOSE OF REPORT

In accordance with Chapter 2015-232, Laws of Florida, line item 2327, please allow this report to serve as the Department of Financial Services (DFS) fifth 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 April 1, 2016 to June 30, 2016.

## 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.
- 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 one (1) audit during this quarter. Below is a summary of the observations and recommendations associated with this audit. The audit report can be found on the DFS website at: <http://www.myfloridacfo.com/Division/AA/AuditsReviews/default.htm>.

### HAMILTON COUNTY CLERK OF COURT

On June 7, 2016, the Department released its report (Report 2016-05) on the audit conducted on the Hamilton County Clerk of Court. Based upon its review of Hamilton County, with the exception of the items mentioned below, DFS found the Clerk's budgeting practices and expenditure of State funds to be efficient and accurate.

The following observations and recommendations were noted in the Hamilton County report:

1) The Clerk's Office indicated that it uses management estimates and assumptions based on experience for the allocation of FTE overhead between court and non-court related functions. 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 evidencing time and effort of the indirect employees working on court related functions. Consequently, we could not verify the indirect overhead of the FTEs. Without accurate time-keeping of court and non-court related functions, the clerk has no assurance that the estimates used for budgeting purposes were 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.

2) During our testing, we noted that the Clerk's office could not account for 73 voided checks out of a total of 1,143 court-related checks during the audit periods tested. The Clerk's office indicated that prior to July 2014 they used a line printer for their checks that consistently misprinted the checks. These misprinted checks were voided and then shredded; therefore, we were unable to view any of these voided checks. In July 2014, the Clerk's office transitioned to a new printer which corrected the problem.

We recommend the clerk adhere to the retention schedule established in the State of Florida General Records Schedule GS 11 for Clerks of Court. A copy of the Schedule was provided to the Clerk's office, and they have indicated that going forward, all voided checks will be kept on site for the recommended period.

3) Our review of the Clerk's budget forms submitted to the CCOC for CFY '13-14 noted that the Clerk's budget request increased \$17,393 from CFY '12-13. The Clerk's office noted in Exhibit I of the budget submission forms that the County had supported the Court's expenditure budget shortfall

for two (2) years, and now they were reallocating some of these expenses back to the State for CFY '13-14.

The budgetary aspects of not including all funding sources and 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 report all personnel cost increases, operating expenditure increases, and capital expenditure increases they anticipate in the upcoming fiscal year to the CCOC as part of the budget submission documents submitted for approval in June of each year. Additionally, all expenditures that the Clerk anticipates will be funded by the county should also be reported in the budget documents submitted to the CCOC.

### ACTIVITIES FOR THE REPORTING PERIOD

The Department hired two (2) Professional Accountant Specialist employees for the Article V team during the reporting period. Both employees are in the process of being trained in the office as well as in the field.

In addition to completing the Hamilton review, the Department completed field work for Marion, Palm Beach, and Collier Counties. Fieldwork for DeSoto County has also been completed; however, due to a change in the Clerk's position during the Department's fieldwork, completion of the review has been postponed.

The Department still projects each audit to take between 20 and 30 days to complete as staff training continues.

### PLANNED ACTIVITIES FOR THE NEXT REPORTING PERIOD

The Department will finalize the reports for Marion, Palm Beach, and Collier Counties.

The Department is planning to conduct audits for Polk, Brevard, and Monroe counties in the next quarter.