



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

May 25, 2018

The Honorable Tom Bexley
Clerk of Circuit Court
Flagler County
1769 E. Moody Boulevard, Building 1
Bunnell, Florida 32110

Dear Mr. Bexley:

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:jp

Enclosure



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

Florida Department of Financial Services

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

**Report No. 2018-26
May 25, 2018**

SUMMARY

The Department of Financial Services (DFS) has completed an audit of the Flagler County Clerk of the Circuit Court¹. 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 laws². 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:

- Overhead allocation methodologies could be improved.

BACKGROUND

In 2013, the Florida Legislature passed legislation that removed the Clerks of the Circuit Courts from the State appropriations process³. 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 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 law⁵. 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 law⁶. The audits are conducted by the DFS

¹ Section 34.031, Florida Statutes.

² Sections 28.35(3) and 28.37(5), Florida Statutes.

³ Chapter 2013-44, Laws of Florida.

⁴ Chapter 2017-126, Laws of Florida.

⁵ Section 28.36, Florida Statutes.

⁶ Section 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 Flagler County Clerk of the Circuit Court's Office covered County Fiscal Year (CFY) 14-15, CFY 15-16, and CFY 16-17. 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 laws⁷.
- Evaluate whether court-related expenditures were properly authorized, recorded and supported.
- 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 (prior to July 1, 2017).
- 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 and 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.

Year	Budgeted	Actual
CFY 14-15	\$1,550,822	\$1,466,472
CFY 15-16	\$1,494,820	\$1,319,471
CFY 16-17	\$1,582,983	\$1,411,846

The Flagler County Clerk of the Circuit Court serves a population of 103,095⁸.

The budgeted growth from October 2014 through September 2017 was 2.07%.

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. We could not verify the accuracy of the methodology for employees that performed both court-related and non-court related activities-see Observations and Recommendations section.

⁷ Sections 28.35(3) and 28.37(5), Florida Statutes.

⁸ Office of Economic and Demographic Research Report Salaries of Elected County Constitutional Officer and School District Officials for FY 2017-2018, September 2017.

Table 2

Year	Budgeted FTEs	Actual FTEs
CFY 14-15	33.96	30.00
CFY 15-16	33.96	27.00
CFY 16-17	33.71	25.00

The budgeted FTEs decreased by -0.74% for the period October 2015 through September 2017.

OBSERVATIONS AND RECOMMENDATIONS

The Clerk's office indicated that it uses management estimates and assumptions based on the knowledge and specific duties 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 employees spent working on court related functions.

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. 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.



TOM BEXLEY, Clerk of the Circuit Court & Comptroller

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May 23, 2018

Jimmy Patronis, Chief Financial Officer
State of Florida, Department of Financial Services
200 East Gaines Street
Tallahassee, FL 32399-0301

Ref: Flagler County, Clerk of the Circuit Court Compliance Audit Report No. 2018-26 for the County Fiscal Years (CFY)14-15, CFY 15-16 and CFY 16-17

Dear Mr. Patronis,

Thank you for the opportunity to respond to the recommendations made by your staff, in connection with their Compliance Audit of the Flagler County Clerk of the Circuit Court & Comptroller covering County Fiscal years (CFY) 14-15, CFY 15-16 and CFY 16-17.

Observation: The Clerk's office was unable to provide supporting documentation evidencing time and effort employees spent working on court related functions.

Recommendation: 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 estimate 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.

Response: The Clerk is interested in and understands the importance of accurate information and is very much in favor of applying the result of a time study to its process. Flagler has been deemed a small County in relation to the Title IV-D process and therefore receives its Random Moment Sampling (RMS) rate from the State annually; based on the statewide study. Flagler's lack of resources limits its ability to meaningfully participate each year in this laborious effort and has therefore been exempted through the "Small County" classification.

We will continue to apply every effort and available resource to achieving quality and accurate information.

Sincerely,

Tom Bexley, Clerk of Court & Comptroller