



ALEX SINK
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

Jackson County Clerk of Circuit Court Budget Review

REPORT DATE:
May 15, 2007

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CHIEF FINANCIAL OFFICER

ALEX SINK

INTRODUCTION

The Department of Financial Services (DFS) has completed a review of the budget certifications made by the Jackson County Clerk of Circuit Court's Office to the Clerks of Court Operations Corporation (CCOC), pursuant to Section 28.35(3)(b), Florida Statutes (F.S.). The scope of our review focused on validating the processes and methodologies utilized in the development of the Clerk's budgets for fiscal years 2004-2005 (FY 04-05), 2005-2006 (FY 05-06) and 2006-2007 (FY 06-07).

The Chief Financial Officer (CFO) has contracted with CCOC to establish a process for review and certification of court-related budgets submitted by the Clerks of Circuit Courts. CCOC is responsible for calculating the maximum authorized annual budget, identifying budgets exceeding the maximum expenditure amounts for a standard list of court-related functions and identifying budgets that have insufficient revenues to cover court-related expenditures, pursuant to Section 28.36, F.S.

SUMMARY

- The FY 04-05, FY 05-06 and FY 06-07 approved budgets were \$939,418, \$967,380 and \$1,126,068 respectively.
- Jackson County has a population of 49,691 and had 21.90, 26.19 and 26.94 Full Time Employees (FTEs) budgeted to be directly supporting court-related activities for FY 04-05, FY 05-06 and FY 06-07 respectively.
- Projected revenues for FY 04-05 were \$1,076,000. Actual revenues and expenditures as report by the Clerk were \$996,568 and \$801,188 respectively, resulting in a \$195,380 surplus for FY 04-05. The Clerk remitted the FY 04-05 surplus to the Department of Revenue (DOR) for deposit in the General Revenue Fund on January 17, 2006 pursuant to the provisions of Section 28.37(4), F.S.

- Projected revenues and expenditures for FY05-06 were \$1,081,000 and \$967,380 respectively, resulting in a budgeted surplus of \$113,620. Actual unaudited revenues and expenditures as reported by the Clerk for FY 05-06 detail a surplus of \$357,289. The Clerk remitted the FY 05-06 surplus to DOR for deposit in the General Revenue Fund on December 27, 2006 pursuant to the provisions of Section 28.37(4), F.S.
- Projected revenues and expenditures for FY 06-07 are \$1,080,095 and 1,126,068 respectively, resulting in a \$45,973 budgeted deficit. Monthly payments from the Clerks of the Court Trust Fund are scheduled to fund the Clerk's projected deficit based on CCOC directive.
- Actual expenditures during the review period were not limited to those court-related functions specified in Section 28.35(4)(a) and Section 29.008, F.S.
- The Clerk has an internal system and reporting procedures for measuring and reporting on all required performance standards.

SCOPE, OBJECTIVES AND METHODOLOGY

Scope

The Scope of our review included an analysis of the development of the Clerk's FY 04-05, FY 05-06 and FY 06-07 budgets. Our review was conducted on March 28 – 30, 2007 at the Jackson County Clerk of Circuit Court's Office.

Objectives and Methodology

The budget review was conducted with the following objectives:

- Each Clerk shall develop a budget funded from fees, services charges, court costs and fines, pursuant to Sections 28.35, 28.36 and 28.37, F.S. Clerks must provide detailed information on expenditures necessary for the performance of court-related functions using the court-related codes in the uniform Accounting System Manual (UASM). The budget shall be submitted annually to CCOC for review and approval. The CCOC budget approval process focuses on the following key components:
 - Overhead Cost Allocation – The Jackson County Clerk's Office applied a 64.41 and 67.15 percent cost allocation rate to the FY 04-05 and 05-06 certified annual budgets. A 67.35 percent cost allocation rate is being utilized for the FY 06-07 budget.
 - Our review of supporting documentation disclosed that the methodologies used to calculate and distribute overhead costs were reasonable.

- Distribution of Court-Related FTEs – The Jackson County Clerk’s office budgeted 21.90 of 34.00, 26.19 of 39.00 and 26.94 of 40.00 FTEs for FY 04-05, FY 05-06 and FY 06-07 respectively, to be directly supportive of court-related functions.
- General Fund Expenditures – The final approved budget for FY 04-05 was \$939,418, which included a budget reserve of \$85,402. Major expenditure categories were: Personal Services (\$719,766), Operating Expenses (\$123,059) and Capital Outlay (\$11,191). The final approved budget for FY 05-06 was \$967,380. Major expenditure categories were: Personal Services (\$822,716), Operating Expenses (\$124,080) and Capital Outlay (\$20,584). The approved budget for FY 06-07 is \$1,126,068. Major expenditure categories are: Personal Services (\$944,854), Operating Expenses (\$166,965) and Capital Outlay (\$14,249).
- Revenue Forecasting – Budgeted revenues of \$1,076,000, \$1,081,000 and \$1,080,095 were calculated for FY 04-05, FY 05-06 and FY 06-07 respectively, based on prior period data and management’s assessment of future operational activities. The Clerk’s Office is required by CCOC to report monthly, the amount of interest earned on State funds for FY 06-07. Through the time of our review, we noted the Jackson County Clerk’s Office has not been in compliance with this requirement.
- Our review determined that the Clerk’s FY 04-05, FY 05-06 and FY 06-07 budgets were prepared pursuant to CCOC instructions and submitted in accordance with the provisions of Section 28.36, F.S.
- Our review concluded that expenditures during the review period were not limited to court-related functions as specified in Sections 28.35(4)(a) and 29.008, F.S. The Jackson County Clerk’s Office improperly included \$90,111 and \$41,303 of Title IV-D child support related activities in their court-related ledgers during FY 05-06 and FY 06-07, respectively.
- Revenues for fees, services charges, court costs and funding for court-related functions for FY 04-05 and FY 05-06 were assessed pursuant to the provisions of Chapter 28, F.S. The Clerk’s budget for FY 06-07 was based on projected revenues from the same sources, pursuant to Section 28.36, F.S.
- Clerks are required to maintain a partial fee payment system, pursuant to Section 28.246, F.S. The Jackson County Clerk’s Office is currently utilizing a manual filing system to account for partial fee payments. The Clerk is also currently contracting with an external collection agency to assist with collecting outstanding aged accounts.

- The Jackson County Clerk of Court was designated a “donor” office for FY 04-05 by CCOC based upon a budgeted surplus of \$136,582. Monthly remittances to the Clerks of the Court Trust Fund were scheduled to liquidate the Clerk’s projected surplus, pursuant to CCOC directive. The Clerk reported a non-projected surplus of \$195,380 during FY 04-05 based on actual revenues and expenditures of \$996,568 and \$801,188, respectively. The Clerk remitted the FY 04-05 non-projected surplus to DOR on January 17, 2006 for deposit in the General Revenue Fund, pursuant to the provisions of Section 28.37(4), F.S.
- The Jackson County Clerk of Court was designated a “donor” office for FY 05-06 by CCOC based upon a projected surplus of \$113,620. Monthly remittances to the Clerks of the Court Trust Fund were scheduled to liquidate the Clerk’s projected surplus, pursuant to CCOC directive. The Clerk reported a non-projected surplus of \$357,289 during FY 05-06, based on actual revenues and expenditures of \$1,165,726 and \$808,437 respectively. The Clerk remitted the FY 05-06 non-projected surplus to DOR on December 27, 2006 for deposit in the General Revenue Fund, pursuant to the provisions of Section 28.37(4), F.S.
- The Jackson County Clerk of Court is designated a “recipient” office for FY 06-07 by CCOC based upon a budgeted deficit of \$45,973. Budgeted revenues and expenditures for FY 06-07 are \$1,080,095 and \$1,126,068 respectively. Monthly remittances from the Clerks of the Court Trust Fund are currently scheduled to fund the Clerk’s projected deficit, pursuant to CCOC directive. However, through the time of our review, the Clerk’s Office reported a surplus of \$98,966 based on revenues and expenditures of \$357,648 and \$258,682 respectively. Clerks are required to remit monthly, one third of all excess income, pursuant to Section 28.37, F.S. Our review determined the Clerk’s current one-third remittance requirement is \$32,989.
- The following performance measures were adopted by CCOC, pursuant to Section 28.35, F.S., for FY 04-05, FY 05-06 and FY 06-07:
 - Outputs – The outputs consist of the number of civil cases files and the number of criminal defendants handled, by Court Divisions, as identified by the Clerk’s Office. The Clerk reported 14,340 new cases filed and 4,205 defendants during FY 04-05. The Clerk has reported 13,876 new cases filed and 5,109 defendants during FY 05-06. The Clerk reported 3,613 new cases field and 894 defendants through the first quarter of FY 06-07.

- Outcome Measures – Timeliness and Collection Rate:
 - Timeliness – New cases opened within a designated number of business days after the initial filing. The Clerk has the ability to collect data and report timeliness measures on new cases. The Clerk reported meeting or exceeding 18 of 20 timeliness performance standards to CCOC for FY 04-05. The Clerk reported meeting or exceeding 20 of 20 performance standards to CCOC for FY 05-06. The Clerk reporting meeting or exceeding 20 of 20 performance standards to CCOC through the first quarter of FY 06-07.
 - Collection Rate – The collection rate is calculated by dividing collections by the adjusted assessments. The Clerk reported meeting or exceeding 8 of 9 collections performance standards to CCOC for FY 04-05. The Clerk reported meeting or exceeding 7 of 9 collections performance standards to CCOC for FY 05-06. The Clerk reporting meeting or exceeding 8 of 9 collection performance standards to CCOC through the first quarter of FY 06-07.

FINDINGS AND RECOMMENDATIONS

Finding Number 1:

Based upon our review, we found the Clerk’s budgeting practices for State funds to be efficient and accurate. However, through the time of our review in FY 06-07, the Jackson County Clerk’s Office is not compliant with the surplus remittance directives prescribed in Section 28.37(2), F.S.

Recommendation Number 1:

The Clerk should closely adhere to and follow all remittance requirements as directed by Section 28.37(2), F.S., which details that one-third of all excess revenues should be remitted to the Clerks of the Court Trust Fund by the twentieth day following the end of each month. Our review concluded that \$32,989 should be remitted to ensure statutory compliance for FY 06-07.

Finding Number 2:

Expenditures during the review period were not limited to court-related functions, as specified in Section 28.35(4)(a) and Section 29.008, F.S. The Clerk's Office erroneously reported \$90,111 and \$41,303 of Title IV-D child support related activities in their court-related ledgers during FY 05-06 and FY 06-07, respectively.

Recommendation Number 2:

The Jackson County Clerk's Office should make the necessary adjustments to the FY 05-06 and FY 06-07 court-related ledgers to remove the Title IV-D child support related activities.

Finding Number 3:

The Jackson County Clerk's Office has not reported interest earned on State revenues, through the first quarter of FY 06-07.

Recommendation Number 3:

The Clerk should closely adhere to and follow all revenue and expenditure reporting requirements as directed by CCOC. This includes reporting interest earned on State revenues.

REVIEW TEAM

Burton Marshall, *Chief, Bureau of Local Government*
Charles Culp, *Financial Administrator*
Angie Rowe, *Professional Accountant Specialist*
Mark Gressel, *Professional Accountant Specialist*
Bob Johnson, *Professional Accountant Specialist*
Darcy Dunn, *Professional Accountant Specialist*
Angie Lawson, *Professional Accountant Specialist*

APPENDIX

Appendix A



ALEX SINK
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

February 28, 2007

The Honorable Dale Rabon Guthrie
Clerk of Circuit Court
Jackson County
4445 Lafayette Street
Marianna, Florida 32446

Dear Ms. Guthrie:

The Department of Financial Services (DFS) has scheduled a review of your budget processes in accordance with Section 28.35, Florida Statutes. The dates mutually selected for this review are March 28 - 30, 2007. Our review will encompass the following objectives: Analyze the methodologies used to develop both the current and prior fiscal years Clerks of Court Operations Corporation (CCOC) certified budget; review expenditures to ensure compliance with Florida Statutes; analyze projected and year-to-date revenues; and review methods used to collect and report data regarding performance measures.

To minimize disruptions to your daily operations, we request you have the following available upon our arrival:

1. Current organization chart.
2. Internal documentation of methodologies used to allocate FTEs to court-related activities.
3. Payroll subsidiary ledger for the most recent pay date and current annual salary listing by employee.
4. Listing of GL codes (500-700 range) used in conjunction with the chart of accounts.
5. General ledger report of court-related revenues and expenditures for FY 04-05, FY 05-06 and FY 06-07 (through February 2007).
6. Revenue and Expenditure Tracking Reports submitted to CCOC for FY 04-05, FY 05-06 and FY 06-07 (through February 2007).
7. Copies of monthly transmittals to the Department of Revenue for revenues remitted, pursuant to Sections 28.241(1)(a), 28.37(2) and 28.37(4), Florida Statutes.
8. Report detailing outstanding balance for each partial payment account.
9. Contract, outstanding balance of accounts assigned, and supporting records for remittances by collection agency for FY 04-05, FY 05-06 and FY 06-07, if applicable.

DOUGLAS A. DARLING • DIRECTOR
DIVISION OF ACCOUNTING AND AUDITING
200 EAST GAINES STREET • TALLAHASSEE, FLORIDA 32399-0353 • TEL. 850-413-5510 • FAX 850-413-5547 • SC 293-5510
EMAIL • DOUG.DARLING@FLDFS.COM

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Appendix A (continued)

The Honorable Dale Rabon Guthrie
February 28, 2007
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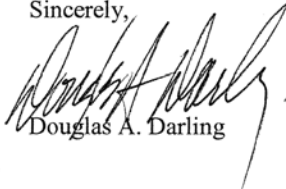
10. Documentation supporting transfer of surplus funds to the County or funding from the County for the period 10/1/03-6/30/04.
11. Submissions of timeliness and collections performance measure data and any related supporting documentation to CCOC for FY 04-05, FY 05-06 and FY 06-07.
12. Any internal documentation used to complete a Budget Amendment Request(s) approved by CCOC, if applicable.
13. Annual Financial Report and Audit Report for FY 04-05 and FY 05-06.

Please have the requested information available for fiscal years 2004-2005, 2005-2006 and 2006-2007, as our review will cover all three periods. Mr. Mark Gressel and Ms. Angie Lawson will represent DFS during this review.

We ask that you provide workspace for DFS and a lead from your staff to assist in the review. It is not our intent to disrupt your operations. You may contact us to reschedule if, for any reason, the dates selected cannot be accommodated. Please use Mr. Charles Culp as our primary point of contact at (850) 413-5592 or charles.culp@fldfs.com.

Thank you for your advanced preparation. We look forward to working with you and your staff.

Sincerely,



Douglas A. Darling

DAD:cc

Appendix B



DALE RABON GUTHRIE

Clerk of Circuit and County Courts
Jackson County

P. O. Drawer 510
Marianna, FL 32447

(850) 482-9552
Fax: 482-7849
SunCom: 789-9552

May 10, 2007

Charles Culp
Financial Administrator
Department of Financial Services
Division of Accounting and Auditing
200 East Gaines Street
Tallahassee, FL 32399-0354

Dear Mr. Culp:

This letter is my official response to your Findings and Recommendations that resulted from your review of the Jackson County Clerk's budgets for the fiscal years 2004-2005, 2005-2006 and 2006-2007.

Response Number 1:

It was our understanding that a deficit County was not required to follow the remittance requirements per Section 28.37(2), F.S. We have submitted (April 20, 2007) \$51,937 which is one-third of all excess income through March 31, 2007. We will continue to submit one-third of all future amounts of excess income.

Response Number 2:

This error was caused by a formula formatting problem with the spreadsheets used to prepare the monthly Court Revenue/Expenditure Tracking Report. We have reviewed all spreadsheets used to prepare these reports and corrected errors found during this review. In addition, we have implemented procedures to ensure future errors will be recognized in a timely manner. The necessary adjustments to correct the FY 06-07 have been made in the March 31, 2007 report. We have submitted the corrected FY 05-06 report to CCOC to be processed.

Response Number 3:

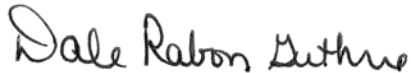
Due to the manner in which the court related and non-court related monies are commingled we were unsure how to allocate the interest earned in a cost effective and

Appendix B

fair manner. After discussion with DFS auditors, we have determined that the use of our allocation percentage for expenditures will be used to allocate interest income. The appropriate amount will be reported on the April 30, 2007 Court Revenue/Expenditure Tracking Report.

I thank you for your evaluation of our procedures and methodologies concerning our Budgets. In addition I appreciate the courtesy and professionalism that your staff exhibited during this review. The suggestions that they made will be of great benefit to my staff.

Sincerely,

A handwritten signature in black ink that reads "Dale Rabon Guthrie". The signature is written in a cursive, flowing style.

Dale Rabon Guthrie
Clerk of Circuit Court

DRG/cr