



REPRESENTING
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DUVAL COUNTY
CLERK OF CIRCUIT COURT
BUDGET REVIEW

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INTRODUCTION

The Department of Financial Services (DFS) has completed a review of the budget certifications made by the Duval 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 2005-2006 (FY 05-06), 2006-2007 (FY 06-07) and 2007-2008 (FY 07-08).

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. The 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 05-06, FY 06-07 and FY 07-08 approved budgets were \$14,635,187, \$17,087,991 and \$18,151,912 respectively.
- Duval County has a population of 879,661 and had 404.00, 412.30 and 390.22 Full Time Employees (FTEs) budgeted to support court-related activities for FY 05-06, FY 06-07 and FY 07-08 respectively.
- Budgeted revenues and expenditures for FY 05-06 were \$19,404,549 and \$14,635,187 respectively, resulting in a budgeted surplus of \$4,769,362. Actual revenues and expenditures as reported by the Clerk for FY 05-06 detailed a surplus of \$922,511. The Clerk remitted the FY 05-06 surplus to the Department of Revenue (DOR) on December 22, 2006 for deposit in the General Revenue Fund, pursuant to the provisions of Section 28.37(4), F.S.
- Budgeted revenues and expenditures for FY 06-07 were \$21,427,488 and \$17,087,991 respectively, resulting in a budgeted surplus of \$4,339,497. Actual revenues and expenditures as reported by the Clerk for FY 06-07 detailed a surplus of \$92,611. The Clerk remitted the FY 06-07 surplus to DOR on December 20, 2007 for deposit in the General Revenue Fund, pursuant to the provisions of Section 28.37(4), F.S.

- Budgeted revenues and expenditures for FY 07-08 are \$22,761,591 and \$18,151,912 respectively, resulting in a \$4,609,679 budgeted surplus. Monthly payments to the Clerks of the Court Trust Fund are scheduled to liquidate the Clerk's projected surplus pursuant to CCOC directive.
- 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 05-06, FY 06-07 and FY 07-08 budgets. Our review was conducted on February 25 - 29, 2008 at the Duval 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 Duval County Clerk's Office applied a 90.18 and 89.83 percent cost allocation rate to the FY 05-06 and FY 06-07 certified annual budgets. An 87.89 percent cost allocation rate is being utilized for the FY 07-08 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 Duval County Clerk's Office budgeted 404.00 of 448.00, 412.30 of 459.00 and 390.22 of 444.00 FTEs for FY 05-06, FY 06-07 and FY 07-08 respectively, to support court-related functions.
 - General Fund Expenditures – The final approved budget for FY 05-06 was \$14,635,187. Major expenditure categories were: Personal Services (\$11,832,874), Operating Expenses (\$2,652,391) and Capital (\$149,922). The final approved budget for FY 06-07 was \$17,087,991 which included a budget reserve of \$657,230. Major expenditure categories were: Personal Services (\$14,418,084) and Operating Expenses (\$2,012,677). The final approved budget for FY 07-08 was \$18,151,912 which included a budget reserve of \$864,377. Major expenditure categories are: Personal Services (\$13,880,564) and Operating Expenses (\$3,406,971).

- Revenue Forecasting – Budgeted revenues of \$19,404,549, \$21,427,488 and \$22,761,591 were calculated for FY 05-06, FY 06-07 and FY 07-08 respectively, based on prior period data and management’s assessment of future operational activities.
 - Our review determined that the Clerk’s FY 05-06, FY 06-07 and FY 07-08 budgets were prepared pursuant to CCOC instructions and submitted in accordance with the provisions of Section 28.36, F.S.
- Expenditures during the review period were not limited to court-related functions as specified in Section 28.35(4)(a), F.S. The Duval County Clerk’s Office reported \$66,929 for vehicle expenses, \$1,524 for messenger services, \$147,938 for IT Equipment, and \$36,814 for communication expenses in FY 05-06. The Clerk reported \$61,264 for vehicle expenses, \$1,524 for messenger services, \$19,054 for IT Equipment, and \$13,362 for communication expenses in FY 06-07. The Clerk reported \$10,114 for vehicle expenses, \$381 for messenger services, and \$2,889 for IT Equipment through the time of our review (based on report data through January 2008) for FY 07-08.
- Revenues for fees, services charges, court costs and funding for court-related functions for FY 05-06 and FY 06-07 were assessed pursuant to the provisions of Chapter 28, F.S. The Clerk’s budget for FY 07-08 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 Duval County Clerk’s Office is currently utilizing an internal database system to account for partial fee payments. The Clerk’s office recently implemented a new internal database system to monitor and collect outstanding receivables. The Clerk is also contracting with an external collection agency to assist with collecting delinquent accounts that more than 90 days past due.
- Duval County Clerk of Court was designated a “donor” office for FY 05-06 by CCOC based upon a budgeted surplus of \$4,769,362. 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 FY 05-06 surplus of \$922,511 based on actual revenues and expenditures of \$20,460,883 and \$19,538,372 respectively. The Clerk remitted the FY 05-06 surplus to DOR on December 22, 2006 for deposit in the General Revenue Fund, pursuant to the provisions of Section 28.37(4), F.S.
- Duval County Clerk of Court was designated a “donor” office for FY 06-07 by CCOC based upon a budgeted surplus of \$4,339,497. 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 FY 06-07 surplus of \$92,611 based on actual revenues and expenditures of \$21,504,336 and \$21,411,725 respectively. The Clerk remitted the FY 06-07 surplus to DOR on December 20, 2007 for deposit in the General Revenue Fund, pursuant to the provisions of Section 28.37(4), F.S.

- The Duval County Clerk of Court is designated a “donor” office for FY 07-08 by CCOC based upon a budgeted surplus of \$4,609,679. Projected revenues and expenditures for FY 07-08 are \$22,761,591 and \$18,151,912 respectively. Through the time of our review (based on the report data through January 2008), the Clerk’s Office reported a FY 07-08 surplus of \$255,057 based on revenues and expenditures of \$7,147,561 and \$6,892,504 respectively.
- The following performance measures were adopted by CCOC, pursuant to Section 28.35, F.S., for FY 05-06, FY 06-07 and FY 07-08:
 - Outputs – The outputs consist of the number of civil cases filed and the number of criminal defendants handled, by Court Divisions, as identified by the Clerk’s Office. The Clerk reported 327,595 new cases filed and 91,302 defendants during FY 05-06. The Clerk reported 325,459 new cases filed and 107,402 defendants during 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 10 of 20 performance standards to CCOC for FY 05-06. The Clerk reported meeting 6 of 20 performance standards to CCOC for FY 06-07, which does not meet or exceed the timeliness performance standard as prescribed by CCOC.
 - Collection Rate – The collection rate is calculated by dividing collections by the adjusted assessments. The Clerk reported meeting or exceeding 5 of 9 collections performance standards to CCOC for FY 05-06. The Clerk reported meeting 2 of 9 collections performance standards to CCOC for FY 06-07, which does not meet or exceed the collection performance standard as prescribed by CCOC. The Clerk reported meeting or exceeding 6 of 9 collections performance standards to CCOC for the first quarter of FY 07-08.
 - Fiscal Management Measures – Fiscal Management Standards:
 - Status Report - The Clerk reported meeting or exceeding 9 of 9 fiscal management standards to CCOC for FY 05-06.

FINDINGS AND RECOMMENDATIONS

Finding Number 1:

Based upon our review of the Duval County Clerk's Office, we found the Clerk's 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., and were not classified appropriately according to the Uniform Accounting System Manual (UASM). The Clerk reported expenditures that were outside the scope of State funding authority. The unallowable expenditures totaled \$253,205 for FY 05-06, \$95,204 for FY 06-07 and \$13,384 through the time of our review for FY 07-08 (based on report data through January 2008).

Recommendation Number 1:

The Duval County Clerk's Office should closely adhere to and follow all expenditure requirements prescribed in Florida Statutes and utilize the UASM. The Clerk should reimburse the Clerks of the Court Trust Fund for the unallowable expenditures totaling \$253,205 for FY 05-06, \$95,204 for FY 06-07 and \$13,384 for FY 07-08, within 30 days of receiving this report, pursuant to Section 28.36(4)(b), F.S.

Clerk Response: The Duval County Clerk's Office expressed the non-court-related expenditures were necessary in order to maintain effective and efficient operations. The Clerk was unaware of misclassified expenditures until the budget review was completed.

DFS Response: The department's interpretation of Florida Statutes is not based on implied authority. Expenditures specified for court-related functions are described in Section 28.35(4)(a) and 29.008, F.S. Our recommendation is that the Clerk should reimburse the Clerks of the Court Trust Fund for all unallowable expenditures for FY 05-06, FY 06-07 and FY 07-08.

Finding Number 2:

We concluded the Duval County Clerk's Office is currently able to report on all required performance standards. However, the Clerk's Office did not meet or exceed the performance measure standards for timeliness or collections in FY 06-07.

Recommendation Number 2:

The Clerk should adhere to all performance measure reporting requirements prescribed the CCOC.

Clerk Response: The Duval County Clerk's Office expressed that they had significant issues compiling statistical data for performance measures due to their inflexibility of the legacy mainframe computer system. Additionally, the Clerk does not have adequate staff dedicated to reporting performance measures due to their current budget expenditure cap.

DFS Response: The department's interpretation of Section 28.35(2)(e), F.S. is that each Clerk will report on all performance measures as prescribed by the CCOC.

Finding Number 3:

Clerks are required to remit excess fines, fees, service charges and costs collected to DOR for deposit in the General Revenue Fund by the 20th of the following month, pursuant to Section 28.37(2), F.S. The Duval County Clerk of Court frequently remitted payments past the deadline.

Recommendation Number 3:

The Clerk should closely adhere to and follow all remittance requirements prescribed by Section 28.37(2), F.S.

Clerk Response: The Duval County Clerk's Office experienced delayed monthly closeouts and reconciliation issues while implementing a new accounting system. The Clerk stated that future payments should be made in a timely manner.

DFS Response: The department's interpretation of Section 28.37(2), F. S. does not allow for deviation from the requirement for the Clerk.

REVIEW TEAM

Burton Marshall, *Chief, Bureau of Local Government*

Priscilla Bailey-Brown, *Financial Administrator*

Mark Gressel, *Professional Accountant Specialist*

Bob Johnson, *Professional Accountant Specialist*

Angie Lawson, *Professional Accountant Specialist*

Jessica Robinson, *Professional Accountant Specialist*

Jeremy Smith, *Professional Accountant Specialist*

APPENDIX

Appendix A

APPENDIX A – Duval County Clerk's Response

The bulk of the adverse findings in the Budget Review of the Department of Financial Services can be attributed to confusion as to expenditure responsibilities between the Clerk and the consolidated City of Jacksonville as well as to the computer conversion process necessitated by the implementation of Article V, Revision 7. The expenditure items pointed out by the auditors have been determined to be primarily City responsibilities that were paid from state funds and corrective payment should be born by that entity.

To effectively implement the substantial changes that were called for in the above legislation, the Clerk initiated the process of modernizing technology to replace an antiquated and ineffective legacy mainframe system which did not have the flexibility to provide reliable statistical data for performance measures. The conversion is fundamentally completed as of the date of this response and should provide better statistical tracking and reporting for the future.

An additional area that impacts timeliness and other performance standards is an ongoing funding handicap resulting from an inadequate and inflexible expenditure cap. Staff shortages due to limited funds have prevented the successful implementation and timely application of needed corrections.

Response to Finding Number 1:

Expenditures not limited to court-related functions – in order to maintain effective and efficient operations it was found to be necessary to make certain purchases that were denied or unacceptably delayed by the process of seeking authorization through the City of Jacksonville. It is hoped that the responsibility for these items will be properly assumed at this time.

Not classified appropriately – the misclassification of certain items was only discovered at the time that the Department of Financial Services audit group pointed them out to Clerk staff during their audit visit. Another item was mistakenly coded to an ambiguously defined GL account.

Response to Finding Number 2:

Did not meet FY 06-07 performance measures – there were significant issues related to gathering statistical data during this period due to the inflexibility of the legacy mainframe computer system. The numbers reported were of a suspect nature. Additionally, the inadequate budgeted expenditure cap has hindered hiring adequate staff levels to meet performance targets.

Response to Finding Number 3:

Remitted payments past the deadline – the payments were made within a relatively short period past the deadline. Due to continuing reconciliation issues, while implementing the new cashiering and accounting system, the monthly financial closings were delayed. It was thought to be a better plan to make payments after the monthly accounting records were reconciled rather than submit an erroneous report. Though there are still some unresolved timely departmental reconciliation issues, it is expected that future payments will be made on time as required.