



REPRESENTING
ALEX SINK
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

BAY COUNTY
CLERK OF CIRCUIT COURT
BUDGET REVIEW

REPORT DATE:
August 9, 2007

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CHIEF FINANCIAL OFFICER

INTRODUCTION

The Department of Financial Services (DFS) has completed a review of the budget certifications made by the Bay 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. 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 04-05, FY 05-06 and FY 06-07 approved budgets were \$3,189,247, \$3,379,361 and \$3,661,321 respectively.
- Bay County has a population of 164,780 and had 71.66, 67.95 and 73.05 Full Time Employees (FTEs) budgeted to be directly supporting court-related activities for FY 04-05, FY 05-06 and FY 06-07 respectively.
- Budgeted revenues for FY 04-05 were \$4,101,926. Actual revenues and expenditures as reported by the Clerk were \$4,487,105 and \$2,954,881 respectively, resulting in a \$1,532,224 surplus for FY 04-05. The Clerk remitted the FY 04-05 surplus to the Department of Revenue (DOR) on January 26, 2006 for deposit in the General Revenue Fund, pursuant to the provisions of Section 28.37(4), F.S.
- Projected revenues and expenditures for FY 05-06 were \$4,425,075 and \$3,379,361 respectively, resulting in a budgeted surplus of \$1,045,714. Actual unaudited revenues and expenditures as reported by the Clerk for FY 05-06 detail a surplus of \$1,841,723. The Clerk remitted the FY 05-06 surplus on December 20, 2006 to DOR for deposit in the General Revenue Fund, pursuant to the provisions of Section 28.37(4), F.S.

- Projected revenues and expenditures for FY 06-07 are \$4,655,133 and \$3,661,321 respectively, resulting in a \$993,812 budgeted surplus. Monthly payments to the Clerks of the Court Trust Fund are scheduled to liquidate this 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 04-05, FY 05-06 and FY 06-07 budgets. Our review was conducted on June 6 - 7, 2007 at the Bay 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 Bay County Clerk's Office applied a 67.60 and 63.50 percent cost allocation rate to the FY 04-05 and 05-06 certified annual budgets. A 64.93 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 Bay County Clerk's Office budgeted 71.66 of 106.00, 67.95 of 107.00 and 73.05 of 112.50 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 \$3,189,247 which included a budget reserve of \$6,080. Major expenditure categories were: Personal Services (\$2,818,857), Operating Expenses (\$311,740) and Capital Outlay (\$52,570). The final approved budget for FY 05-06 was \$3,379,361 which included a budget reserve of \$65,934.

Major expenditure categories were: Personal Services (\$3,054,663), Operating Expenses (\$230,684) and Capital Outlay (\$28,080). The final approved budget for FY 06-07 is \$3,661,321 which included a budget reserve of \$70,876. Major expenditure categories are: Personal Services (\$3,338,068), Operating Expenses (\$221,507) and Capital Outlay (\$30,870).

- Revenue Forecasting – Budgeted revenues of \$4,101,926, \$4,725,075 and \$4,655,133 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.
- 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.
- Expenditures during the review period were limited to court-related functions as specified in Section 28.35(4)(a), F.S.
- 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 Bay County Clerk’s Office is currently utilizing a manual filing system to account for partial fee payments. The Clerk is contracting with S.C. Services & Associates, Inc., an external collection agency, to assist with collecting delinquent accounts which are more than 90 days past due.
- The Bay County Clerk of Court was designated a “donor” office for FY 04-05 by CCOC based upon a budgeted surplus of \$912,679. 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 surplus of \$1,532,224 during FY 04-05 based on actual revenues and expenditures of \$4,487,105 and \$2,954,881 respectively. The Clerk remitted the FY 04-05 surplus to DOR on January 26, 2006 for deposit in the General Revenue Fund, pursuant to the provisions of Section 28.37(4), F.S.
- The Bay County Clerk of Court was designated a “donor” office for FY 05-06 by CCOC based upon a budgeted surplus of \$1,045,714. 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 \$1,841,723 based on actual revenues and expenditures of \$4,710,191 and \$2,868,468 respectively. The Clerk remitted the FY 05-06 surplus to DOR on December 20, 2006 for deposit in the General Revenue Fund, pursuant to the provisions of Section 28.37(4), F.S.

- The Bay County Clerk of Court is designated a “donor” office for FY 06-07 by CCOC based upon a budgeted surplus of \$1,993,812. Projected revenues and expenditures for FY 06-07 are \$4,655,133 and \$3,661,321 respectively. Through the time of our review (April 2007), the Clerk’s Office reported an actual FY 06-07 surplus of \$1,126,915 based on revenues and expenditures of \$2,845,602 and \$1,718,687 respectively. Clerks are required to remit monthly, one-third of all excess income, pursuant to Section 28.37(2), F.S. Our review concluded the Bay County Clerk’s Office is currently meeting this requirement.
- 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 filed and the number of criminal defendants handled, by Court Divisions, as identified by the Clerk’s Office. The Clerk reported 42,442 new cases filed and 23,796 defendants for FY 04-05. The Clerk reported 46,128 new cases filed and 25,007 defendants for FY 05-06. The Clerk reported 23,425 new cases filed and 12,342 defendants through the second 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 20 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 reported meeting or exceeding 20 of 20 performance standards to CCOC through the second 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 6 of 9 collections performance standards to CCOC for FY 05-06. The Clerk reported meeting or exceeding 7 of 9 collections performance standards to CCOC through the second quarter of FY 06-07.

FINDINGS AND RECOMMENDATIONS

Finding:

Based upon our review, we found the Clerk's budgeting practices, expenditure and revenue methodologies for State funds to be efficient and accurate. We concluded the Bay County Clerk's Office is currently able to report on all required performance standards.

REVIEW TEAM

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

APPENDIX

Appendix A



ALEX SINK
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

March 19, 2007

The Honorable Harold Bazzel
Clerk of Circuit Court
Bay County
300 East 4th Street
Panama City, Florida 32401

Dear Mr. Bazzel:

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 June 6 – 8, 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 April 2007).
6. Revenue and Expenditure Tracking Reports submitted to CCOC for FY 04-05, FY 05-06 and FY 06-07 (through April 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

AFFIRMATIVE ACTION • EQUAL OPPORTUNITY EMPLOYER

Appendix A (continued)

The Honorable Harold Bazzel
March 19, 2007
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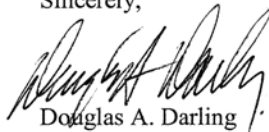
10. Documentation supporting transfers of surplus funds to the County or funding from the County for the period 10/1/03-6/30/04.
11. Submissions of timeliness and collections performance measure data and any related supporting documentation to CCOC for FY 04-05, FY 05-06, and FY 06-07.
12. Any internal 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

HAROLD BAZZEL

CLERK OF THE CIRCUIT COURT, BAY COUNTY



300 EAST 4TH STREET
P.O. BOX 2269
PANAMA CITY, FLORIDA 32402-2269
(850) 763-9061

www.baycoclerk.com

July 30, 2007

To the Department of Financial Services and Staff:

I would like to confirm the numbers you are reporting for Bay County are true and correct. We have made every effort to comply with all legislative requests since the implementation of Article V. We are glad to hear that legislature is being made aware of the continuous issue of the 1/3 monthly remittance. Truly the statute should read "1/3 of the net revenue is to be remitted on a monthly basis." This would allow the Clerk's Offices throughout the state to maintain operations regardless of whether the revenues are at a high or low month.

I would like to extend a note of how I enjoyed working with the assigned staff. Each member was both professional and proficient in their endeavors. Thank you and if I can be of further assistance please, don't hesitate to call me.

Truly,



Tammy Knight
Clerk Finance Director
tknight@baycoclerk.com
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Panama City, FL 32401