



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

August 10, 2020

The Honorable Gwen Marshall
Clerk of Circuit Court & Comptroller
Leon County
301 South Monroe Street, Suite 100
Tallahassee, FL 32301

Dear Ms. Marshall,

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,


MM/jp

Enclosure

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
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JIMMY PATRONIS
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

Florida Department of Financial Services

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

**Report No. 2020-53
August 10, 2020**

SUMMARY

The Department of Financial Services (DFS) has completed an audit of the Leon County Clerk of the Circuit Court.¹ 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 laws.² 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:

- In four (4) instances, the expenditures had been improperly allocated as court-related costs.
- Financial reporting and recording could be improved.
- Internal controls and procedures could be improved.

BACKGROUND

In 2013, the Florida Legislature passed legislation that removed the Clerks of the Circuit Courts from the State appropriations process.³ 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 one-twelfth (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 law.⁵ 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.

¹Section 34.031, Florida Statutes.

²Sections 28.35(3)(a) and 29.008, Florida Statutes.

³Chapter 2013-44, Laws of Florida.

⁴Chapter 2017-126, Laws of Florida.

⁵Section 28.36, Florida Statutes.

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 law.⁶ The audits are conducted by the DFS 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 Leon County Clerk of the Circuit Court’s Office covered County Fiscal Year (CFY) 16-17, CFY 17-18, and CFY 18-19. 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 laws.⁷
- Evaluate whether court-related expenditures were properly authorized, recorded, and supported.
- 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, 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. Source: CCOC Budget Letter and Expenditure and Collection (EC) reports. CFY 16-17 includes juror expenditures through June 2017. CFY 17-18 and CFY 18-19 do not include juror expenditures.

Table 1

Year	Budgeted	Actual
CFY 16-17	5,689,445	5,304,249
CFY 17-18	5,270,736	5,038,505
CFY 18-19	5,472,079	5,412,818

The Leon County Clerk of the Circuit Court serves a population of 292,332.⁸

The budgeted growth from October 2016 through September 2019 was -3.82%.

⁶Section 28.35(2)(e), Florida Statutes.

⁷Sections 28.35(3)(a) and 29.008, Florida Statutes.

⁸The Florida Legislature’s Office of Economic and Demographic Research Report Salaries of Elected County Constitutional Officers and School District Officials for Fiscal Year 2019-2020, September 2019.

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.

Table 2

Year	Budgeted FTEs	Actual FTEs
CFY 16-17	115.32	98.13
CFY 17-18	108.34	98.62
CFY 18-19	113.67	100.05

The budgeted FTEs increased by -1.43% for the period October 2016 through September 2019.

OBSERVATIONS AND RECOMMENDATIONS

Section 28.35(3)(a), Florida Statutes (F.S.), outlines the list of court-related functions that Clerks may fund from filing fees, service charges, costs, and fines and is limited to those functions expressly authorized by law or court rule. Those functions include the following: case maintenance; records management; court preparation and attendance; processing the assignment, reopening, and reassignment of cases; processing of appeals; collection and distribution of fines, fees, service charges, and court costs; processing of bond forfeiture payments; payment of jurors and witnesses (before July 1, 2017); payment of expenses for meals or lodging provided to jurors (before July 1, 2017); data collection and reporting; processing of jurors (before July 1, 2017); determinations of indigent status; and paying reasonable administrative support costs to enable the Clerk of the court to carry out these court-related functions.

The list of court-related functions that Clerks may not fund from filing fees, service charges, costs, and fines include:

- Those functions not specified above,
- Functions assigned by administrative orders which are not required for the Clerk to perform the functions above,
- Enhanced levels of service which are not required for the Clerk to perform the functions above, and
- Functions identified as local requirements in law or local optional programs.

Unallowable Expenditures

During our testing of the Clerk’s office administrative expenditures, we noted four (4) instances in CFY 18-19 in which the expenditure, contrary to statutory guidance, had been allocated as a court cost, or was not authorized of record as a reasonable administrative support cost:

- An expenditure of \$85 for the purchase of drinks and snacks for the Investment Oversight Committee meeting.
- Two (2) expenditures, in the amounts of \$1,034 and \$5,003, for the purchase of coffee related services, such as a coffee machine, coffee, creamer, sugar, and stirrers. The Clerk’s office stated that these costs were for the courthouse, finance breakroom, and juror room; however, they were not able to provide documentation indicating how the costs for the coffee were allocated among the three locations.

- An expenditure for \$17,800 to Cody and Associates, Inc., to provide a classification and compensation study, of which \$13,538 was allocated to the courts.

We recommend the Clerk's office ensure that its court-related expenditures are allowable and reasonable support costs to enable the Clerk's office to carry out its court-related functions. Additionally, we recommend the Clerk's office consider utilizing free web-based sites for researching salary ranges or through networking with other Clerk's offices. We also recommend that the Clerk's office reimburse the Clerks of Courts Trust Fund for the expenditures above for \$19,650.

Financial Reporting and Recording

The Uniform Accounting System Manual Account Codes

Section 218.33, F.S., states that each local governmental entity shall follow uniform accounting practices and procedures as promulgated by rule of the department to assure the use of proper accounting and fiscal management by such units. Such rules shall include a uniform classification of accounts. The Department of Financial Services' Uniform Accounting System Manual (UASM) outlines the uniform classification of accounts for units of local governments, and specifically, outlines the requirements for court-related account codes. These account codes are also used to prepare the annual Clerk of Court budget submitted to the CCOC.

During our testing of the Clerk's payroll and administrative expenditures, we noted that the Clerk's office only records expenditures to two (2) expenditure account codes – 604 and 608. There is not a clear methodology for the reconciliation of the expenditures recorded in these two account codes to the submitted budgeted documents that utilize all the court-related codes consistent with the UASM.

We recommend the Clerk's office record all expenditures in the general ledger using the expenditure account codes provided in the UASM in a manner that properly allocates the expenditure to the cost center benefited.

Accounting Records Do Not Agree with Expenditure and Collection Reports

The Expenditure and Collection Report (the "EC Report") reported monthly to the CCOC should be prepared so that it agrees with the underlying accounting records. A monthly reconciliation of the EC report to the general ledger should be performed by the Clerk's office to ensure that the amounts reported to the CCOC are accurate.

Part of our testing includes performing a reconciliation of the Clerk's EC Report to the general ledger for each year of the audit period. During our testing of the reconciliations, we noted the following:

- In CFY 16-17, general ledger expenditures exceeded the amount reported to the CCOC by \$340,506 or 6.24%.
- In CFY 17-18, the amount reported to the CCOC exceeded the general ledger by \$2,919 or 0.06%
- In CFY 18-19, general ledger expenditures exceeded the amount reported to the CCOC by \$147,134 or 2.65%.

Subsequent to our audit work, the Clerk's office provided supporting documentation explaining the basis of the numbers in the EC Reports we reviewed.

We recommend that the Clerk's office implement procedures to reconcile and support the balances in the CCOC EC report on a monthly basis and to retain these documents for audit purposes.

Internal Controls

Allowances for Education on Personnel Action Forms Inconsistent with Payroll Journals

Effective internal controls require that all changes in payroll including employee additions, terminations, salary, and wage rates should be properly authorized and supported by adequate documentation.

During our testing of Clerk's office payroll expenditures, we noted three (3) out of twenty (20) payroll expenditures sampled indicated that salary allowances paid for education that did not agree with the authorized amount documented on the employees' Personnel Action Forms. The Clerk's office was unable to provide documentation to support the paid salary allowances.

We recommend the Clerk's office implement a formal process to document authorized changes to salaries and wages to help prevent the risk of an erroneous payroll change occurring without being detected.

Bank Reconciliations

Effective internal controls require that bank reconciliations be prepared monthly and any differences between the bank balances and general ledger cash accounts should be researched and explained. Bank reconciliations should include documentation indicating who prepared them, who performed supervisory review and approval, and the date the tasks were completed.

During our testing of administrative expenditures, we noted the following:

- In CFY 16-17, we noted an expenditure write-off in the amount of \$13,062 for unknown differences resulting from bank reconciliations over a six (6) month period. Upon inquiry, the Clerk's office was unable to provide supporting documentation related to the details of the write-off.
- For two (2) of three (3) months tested, the bank reconciliations did not include documentation indicating the individual who prepared the reconciliations, who reviewed and approved them, or the date the preparation and review was completed.

Absent proper internal controls over bank reconciliations, banking errors can go undetected.

We recommend that bank reconciliations include documentation of the individual who prepared and reviewed them as well as documentation indicating the date prepared and reviewed. We also recommend the Clerk's office investigate the differences between the book balance and the bank statement balance for the unreconciled bank statements. Additionally, the Clerk's office should prepare reconciliations in a timely manner in the future, and that all reconciliations and bank statements be kept on file for audit purposes.

Clerical Errors

Effective internal controls require that transactions have adequate supervisory review to reduce the risk of making costly clerical errors.

The following administrative expenditures sampled during our audit may indicate that manual and electronic oversight controls need to be improved. We noted the following during our testing of administrative expenditures:

- In CFY 16-17, an expenditure in the amount of \$800 for reimbursement to an individual wrongfully arrested. The Clerk's office did not follow the established operating procedures to withdraw the corresponding writ of attachment when a child support payment was received.
- In CFY 17-18, an expenditure adjustment in the amount of \$160 was posted. The cashier posted a receipt for \$206, \$46 paid by credit card and \$160 was posted as cash. However, the cashier did not collect the cash and her cash drawer was short. The cashier attempted to contact the customer with no success. The Clerk's office posted an adjusting entry to reconcile the cash balance.

We recommend the Clerk's office ensure that adequate controls for cash handling, recording, and disbursements are in place and followed in order to detect and to prevent these types of clerical errors.



THE HONORABLE
GWEN MARSHALL

CLERK OF THE CIRCUIT COURT AND COMPTROLLER

CLERK OF COURTS • COUNTY COMPTROLLER • AUDITOR • TREASURER • RECORDER

FINANCE DEPARTMENT

August 19, 2020

Florida Department of Financial Services
Division of Accounting and Auditing
Attn: Mark Merry, Assistant Director
200 East Gaines Street
Tallahassee, FL 32399-0353

RE: Leon County Article V Audit

Dear Mr. Merry,

Leon County Clerk's Office has received and reviewed the final Article V Expenditure Compliance Audit report issued by DFS on August 10, 2020. As such, we agree with all observations and recommendations stated in the report and have already taken steps in the current fiscal year to implement improvements in these mentioned areas.

Sincerely,

Gwen Marshall
Clerk of the Circuit Court and Comptroller

WWW.CLERK.LEON.FL.US