



REPRESENTING
ALEX SINK
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

SEMINOLE COUNTY
CLERK OF CIRCUIT COURT
BUDGET REVIEW

REPORT DATE:
June 29, 2009

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ALEX SINK

CHIEF FINANCIAL OFFICER

INTRODUCTION

The Department of Financial Services (DFS) has completed a review of the budget certifications made by the Seminole 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 \$8,605,498, \$9,097,115 and \$9,780,557 respectively.
- Seminole County has a population of 425,698 and had 174.14, 175.56, and 173.72 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 \$8,826,425 and \$8,605,498 respectively, resulting in a budgeted surplus of \$220,927. Actual revenues and expenditures for FY 05-06, which included payments to the Clerk of Court Trust Fund, detailed a surplus of \$1,126,763. The Clerk remitted the FY 05-06 surplus to the Department of Revenue (DOR) on January 2, 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 06-07 were \$9,178,860 and \$9,097,115 respectively, resulting in a budgeted surplus of \$81,745. Actual revenues and expenditures for FY 06-07, which included payments to the Clerk of Court Trust Fund, detailed a surplus of \$710,711. The Clerk remitted the FY 06-07 surplus to the Department of Revenue (DOR) on December 27, 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 were \$9,760,100 and \$9,780,557 respectively, resulting in a \$20,457 budgeted deficit. However, monthly payments from the Clerks of the Court Trust Fund were not scheduled to fund the Clerk's projected deficit due to the Clerk having surplus funds.
- 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 October 29 - 30, 2008, at the Seminole 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 Seminole County Clerk's Office applied a 73.95 and 77.51 percent cost allocation rate to the FY 05-06 and FY 06-07 certified annual budgets. A 76.78 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 Seminole County Clerk's Office budgeted 174.14 of 235.50, 175.56 of 226.50 and 173.72 of 226.25 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 \$8,605,498 which included a budget reserve of \$318,645. Major expenditure categories were: Personal Services (\$7,266,364) which included \$285,752 in employee bonuses, Operating Expenses (\$622,707) and Capital (\$397,782). The final approved budget for FY 06-07 was \$9,097,115 which included a budget reserve of \$185,000. Major expenditure categories were: Personal Services (\$7,829,925) which included \$298,437 in employee bonuses, Operating Expenses (\$1,004,145) and Capital (\$78,045). The final approved budget for FY 07-08 was \$9,780,557 which included a budget reserve of \$ 765,000. Major expenditure categories are: Personal Services (\$8,099,428) which included \$318,089 in employee bonuses, Operating Expenses (\$893,629) and Capital (\$22,500).
- Revenue Forecasting – Budgeted revenues of \$8,826,425, \$9,178,860 and \$9,760,100 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 Seminole County Clerk’s Office reported \$740 for coffee expenditures in FY 05-06. The Clerk reported \$3,654 for coffee expenditures, \$5,925 for software expenditures and \$1,770 for records storage expenditures in FY 06-07. The Clerk reported \$3,990 for coffee expenditures and \$1,999 for records storage expenditures in 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 Seminole County Clerk’s Office is currently utilizing an internal database system to account for partial fee payments and delinquent accounts that are past due.
- Seminole County Clerk of Court was designated a “donor” office for FY 05-06 by CCOC based upon a budgeted surplus of \$220,927. 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 \$1,126,763 based on actual revenues and expenditures of \$9,219,322 and \$8,092,559 respectively, which included payments to the Clerk of Court Trust Fund. The Clerk remitted the FY 05-06 surplus to DOR on January 2, 2007, for deposit in the General Revenue Fund, pursuant to the provisions of Section 28.37(4), F.S.

- Seminole County Clerk of Court was designated a “donor” office for FY 06-07 by CCOC based upon a budgeted surplus of \$81,745. 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 \$710,711 based on actual revenues and expenditures of \$10,035,011 and \$9,324,300 respectively, which included payments to the Clerks of Court Trust Fund. The Clerk remitted the FY 06-07 surplus to DOR on December 27, 2007, for deposit in the General Revenue Fund, pursuant to the provisions of Section 28.37(4), F.S.
- Seminole County Clerk of Court was designated a “recipient” office for FY 07-08 by CCOC based upon a budgeted deficit of \$20,457. Projected revenues and expenditures for FY 07-08 are \$9,760,100 and \$9,780,557 respectively. Through the time of our review (based on report data through September 2008), the Clerk’s Office reported a FY 07-08 surplus of \$972,312 based on revenues and expenditures of \$11,100,104 and \$10,127,792 respectively, which included payments to the Clerks of Court Trust Fund.
- 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 119,508 cases filed and 23,040 defendants during FY 05-06. The Clerk reported 135,736 cases filed and 24,186 defendants during FY 06-07. The Clerk reported 68,758 cases filed and 16,092 defendants for the first half of FY 07-08
 - 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 performance standards to CCOC for FY 05-06. The Clerk reported meeting or exceeding 20 of 20 performance standards to CCOC for FY 06-07. The Clerk reported meeting or exceeding 20 of 20 performance standards to CCOC for FY 07-08.
 - Collection Rate – The collection rate is calculated by dividing collections by the adjusted assessments. The Clerk reported meeting or exceeding 7 of 9 collections performance standards to CCOC for FY 05-06. The Clerk reported meeting or exceeding 9 of 9 collections performance standards to CCOC for FY 06-07. The Clerk reported meeting or exceeding 9 of 9 collections performance standards to CCOC for 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. The Clerk reported meeting or exceeding 9 of 9 fiscal management standards to CCOC for FY 06-07. The Clerk reported meeting or exceeding 9 of 9 fiscal management standards to CCOC for FY 07-08.
- Jury Management Measures – Percentage of juror payments issued timely:
 - Jurors Report – The Clerk reported meeting or exceeding 100 percent of juror payments issued timely to CCOC for FY 07-08.

FINDINGS AND RECOMMENDATIONS

Finding Number 1:

Based upon our review, we found the Clerk’s budgeting practices and revenue methodologies for State funds to be efficient and accurate. We concluded the Seminole County Clerk’s Office is currently able to report on all required performance standards. However, 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 Clerk reported expenditures outside the scope of State funding authority. The unallowable expenditures totaled \$740 for FY 05-06, \$11,349 for FY 06-07 and \$5,989 for FY 07-08.

Recommendation Number 1:

The Seminole County Clerk’s Office should closely adhere to and follow all expenditure requirements prescribed in Florida Statutes. The Clerk should reimburse the Clerks of the Court Trust Fund for unallowable expenditures totaling \$740 for FY 05-06, \$11,349 for FY 06-07 and \$5,989 for FY 07-08, within 30 days of receiving this report, pursuant to Section 28.36(4)(b), F.S.

Clerk Response:

The Seminole County Clerk’s Office states that coffee expenditures should be paid by the Clerk and is a benefit to the staff as well as to visiting Judges, attorneys, jurors and the public.

The Clerk's Office believes that the purchase of collection software used exclusively for court staff in the Collections Department to collect Court fines and Cost's is a justified court related expense. The Clerk's Office believes that storage of court records is allowable and is a court related expense.

DFS Response:

The Department's interpretation of Florida Statutes is not based on implied authority. Expenditures specified for court-related functions are described in Sections 28.35(4)(a) and 29.008 F. S. The spending of State funds on employee administrative expenses is prohibited, pursuant to Rule 69I-40.103, Florida Administrative Code. Our recommendation remains that these expenditures are not specifically authorized and the Clerk should reimburse the Clerk of the Court Trust Fund within 30 days of receiving this report.

Finding Number 2:

The Seminole County Clerk's Office did not follow the requirements prescribed by the CCOC for reporting interest earned on State revenues.

Recommendation Number 2:

The Clerk should closely adhere to and follow all revenue reporting requirements prescribed by CCOC, which includes reporting interest earned on State revenues.

Clerk Response:

The Seminole County Clerk's Office believes the CCOC does not have any requirements for reporting interest earned on State revenues.

DFS Response:

The Department's recommendation remains the Clerk should adhere to and follow all revenue reporting requirements prescribed by CCOC. The CCOC requires all Clerks to report interest earned on State revenues on the monthly Revenue and Expenditure Report. The line on the Revenue and Expenditure Report is not optional.

REVIEW TEAM

Burton Marshall, *Chief, Bureau of Local Government*

Priscilla Bailey-Brown, *Financial Administrator*

Mark Gressel, *Professional Accountant Specialist*

Angie Vermette, *Professional Accountant Specialist*

Jessica Robinson, *Professional Accountant Specialist*

Jeremy Smith, *Professional Accountant Specialist*

APPENDIX

Appendix A



REPRESENTING
ALEX SINK
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

August 14, 2008

The Honorable Maryanne Morse
Clerk of Circuit Court
Seminole County
Post Office Box 8099
Sanford, Florida 32772

Dear Ms. Morse:

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 October 29 – 31, 2008. 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 copies 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. Please do not include Social Security Numbers on documentation.
4. Listing of General Ledger codes (500-700 range) as prescribed by the DFS Uniform Accounting System Manual Chart of Accounts.
5. General Ledger report of court-related revenues and expenditures for FY 05-06, FY 06-07 and FY 07-08 (through September 2008).
6. Revenue and Expenditure Tracking Reports submitted to CCOC for FY 05-06, FY 06-07 and FY 07-08 (through September 2008).
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.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
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Division of Accounting and Auditing • Bureau of Local Government
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Appendix A (continued)

The Honorable Maryanne Morse
August 14, 2008
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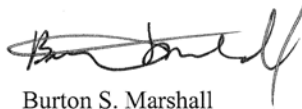
9. Contract, outstanding balance of accounts assigned, and supporting records for remittances by collection agency for FY 05-06, FY 06-07 and FY 07-08 (through September 2008), if applicable.
10. Submissions of timeliness and collections performance measure data and any related supporting documentation to CCOC for FY 05-06, FY 06-07 and FY 07-08 (through September 2008). Submission of juror payment performance measure data for FY 07-08.
11. Any internal documentation used to complete a Budget Amendment Request(s) approved by CCOC, if applicable.
12. Management Letter from the Annual Audit Report for FY 05-06 and FY 06-07.
13. Fiscal Management Measures Status Report Form to CCOC for FY 05-06 and FY 06-07.
14. FY 07-08 Rebasing worksheets for Budget Submission to the CCOC.

Please have the requested information available for fiscal years 2005-2006, 2006-2007 and 2007-2008, as our review will cover these periods. Ms. Angie Lawson, Mr. Jeremy Smith, and Ms. Jessica Robinson 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 Mrs. Priscilla Bailey-Brown as our primary point of contact at (850) 413-5592 or priscilla.bailey-brown@myfloridacfo.com.

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

Sincerely,



Burton S. Marshall

BSM:cc

Appendix B



MARYANNE MORSE
Clerk of the Circuit Court
Seminole County

May 28, 2009

Burton S. Marshall, CPA
Florida Department of Financial Services
200 E. Gaines Street
Tallahassee, FL 32399-0354

Dear Mr. Marshall:

I disagree with the 2nd paragraph on page 4 of this report. After numerous attempts to set the record straight with your office, we will respond to your report as written.

When I approved the official Fy07-08 budget for the Clerk's Office it included the court related and non-court related expenditures. This budget was then incorporated into the format required by CCOC to receive approval of court related expenditures. We filed this report by 08/15/07 as required by law. We received a letter from CCOC certifying Court related expenditures at \$9,756,253 and surplus of \$3,847. During the year we submitted the required \$321 per month and in April and May submitted an additional \$250,000 each month as surplus.

In July 2008 the State Legislators bestowed upon the Clerk's the cost of Jury Duty. With that honor came additional funds allocated from the State. It was decided by CCOC not to distribute the funds to the Counties that were not in need of said funds. However they did send a letter in July 2008 increasing our expenditure cap to \$9,780,557, an increase of \$24,304. This was done so that we would have a higher cap leading into next year when we would receive the full year's worth of Jury cost. Our official Clerk's budget was not changed. This official budget was audited by the Counties auditors and was used as the amount of the Clerk's budget in the County CAFR.

Therefore I state that Seminole County Clerk's Office was not a "recipient" office. We did not receive funds from CCOC and in fact continued to send them our required amount established in August 2007. Our Official budget did not change only our expenditure cap.

Finding Number 1 Response:

This Finding can be broken down into three parts.

1. Coffee service for \$8383.55 for the Fiscal Years of 05/06, 06/07 and 07/08.
2. Software for \$5925.00 for FY 06/07.
3. Records Storage for \$3,768.62 FYs 06/07 and 07/08.

Appendix B (continued)

We find this part of the finding **invalid**. Part 1 of this finding is related to coffee service in the Clerk's Office. It was established 20 years ago that coffee service would be supplied by the Clerk. This was done as a benefit to the staff as well as to visiting Judges, attorneys, people doing business with the Clerk's Office and to the Jurors. In the recommendation section of your finding it is stated ..."follow all expenditure requirements prescribed in Florida Statutes." When we questioned where it was mentioned that coffee service was not a court related expenditure we received from DFS staff a rule numbered 69I-40.103 Restriction of Expenditures. This rule is for State Offices and State Agencies, not for County Constitutional Offices. At the time of the expenditure and the writing of this response we are a County Constitutional Office and are not, as of yet, a State Agency.

We **disagree** with Part 2 which was expenditure for collection software used exclusively by our court staff in our Collections Department to collect Court fines and Cost's as required by law. Each Clerks Office was tasked with collecting these funds either internally or externally by using collection agents. We have chosen the more successful method and have handled it internally. We purchased software to help manage the numerous accounts needed. We believe that this is a justified court related expense. If your basis for this finding is that we should use one of our established Trust Funds for this expenditure, we would challenge that it is not required to use the Trust Funds , the Statute was not written as a "shall use" but as a "may use". We are not clear as to the reasoning behind your finding based on the above.

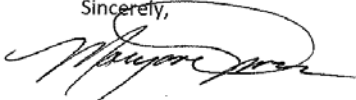
We find Part 3 regarding Court records **invalid**. By Florida Law we are required to keep certain court records in perpetuity and to comply with this requirement we send microfiche and roll film to a records retention center in the salt mines of Pennsylvania. This is clearly another court related expense and a legal expense. Again...If your basis for this finding is that we should use one of our established Trust Funds for this expenditure, we would challenge that it is not required to use the Trust Funds , the Statute was not written as a "shall use" but as a "may use". We are not clear as to the reasoning behind your finding and based on the above.

Finding Number 2 Response:

CCOC does not have any requirements regarding interest. They established the line on the report you are referring to at the request of the Department of Financial Services. We have questioned both CCOC and the staff at DFS to find the statutory authority of reporting interest. CCOC does not have any legal basis and your staff questioned CCOC about this months ago and was told they that they only put this line in at your request. We have yet to hear from your office as to the basis for this finding. Therefore we find this finding **invalid**.

Please contact me at (407) 665-4335 if you have any questions.

Sincerely,



Maryanne Morse
Clerk of the Circuit Court