



Clerk of the Court Audit - #767

Executive Summary

Why CAO Did This Review

Pursuant to Section 102.118 of the Municipal Code, each of the constitutional officers is to be audited by the Council Auditor's Office at least once every five years. The functions of the Clerk's Office are to maintain court records, attend court sessions, process civil and criminal court cases, receive and disburse monies for fines, court costs, forfeitures, fees, service charges, alimony, child support, and victim restitution. As part of its County functions, the Clerk also maintains official records, issues marriage licenses, and processes tax deeds for Duval County. The Clerk's County functions were the focus of our audit.

What CAO Recommends

Based on the testing performed and the issues we noted, we recommend that the Clerk's Office continue to update its policies and procedures and address the issues with the Tax Deeds process and the process used to grant and maintain access rights.

In regard to our follow-up on the findings noted in the prior audit report issued under the previous Clerk, we recommend the Clerk's Office and the City work together to resolve the outstanding matters.

What CAO Found

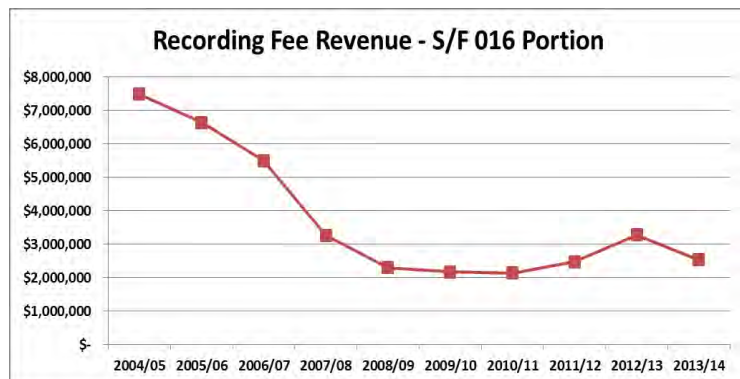
Based on testing performed, it appears the Clerk is assessing the appropriate fees for County-related revenues (recording, tax deeds and marriage licenses) and accurately distributing these revenues to the City and the Public Records Modernization Trust Fund (PRMTF). However, we did note the following:

- Incomplete and outdated policies and procedures for county functions, which were in the process of being updated at the time of our audit work
- Excessive access rights granted to the recording and tax deeds systems.
- Within the tax deeds area, a back-log and an opportunity for improvement with the process.

Overall, it appears that the Clerk properly reimbursed the City for court-related expenditures during our audit scope period. However, we did note the following:

- An issue with the billing process related to interest earned.
- An opportunity for improvement with the billing process.

Additionally, in following up on findings from our prior audit of the Clerk of the Courts (#685), which was conducted of the prior Clerk Administration, we found multiple items related to expenses paid by both the City and the Clerk that have not been resolved. As a result there are two subfunds within the City that are owed a combined \$2.5 million by the Clerk and the City's General Fund.





Council Auditor's Office

Clerk of the Courts Audit

March 17, 2015

Report #767

Released on: August 6, 2015

EXECUTIVE SUMMARY

AUDIT REPORT #767

INTRODUCTION - 1 -

SCOPE AND METHODOLOGY BY OBJECTIVE - 2 -

REPORT FORMAT..... - 3 -

SUGGESTED ADDITIONAL AUDIT WORK..... - 4 -

STATEMENT OF AUDITING STANDARDS - 4 -

AUDITEE RESPONSES - 4 -

AUDIT CONCLUSIONS - 4 -

AUDIT OBJECTIVE #1 - 4 -

AUDIT OBJECTIVE #2..... - 10 -

AUDIT FOLLOW-UP - 12 -

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Suite 200, St. James Building



March 17, 2015

Report #767

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

Pursuant to Section 102.118 of the Municipal Code, each of the constitutional officers is to be audited by the Council Auditor's Office at least once every five years. The Clerk of the Courts Audit was performed to meet the requirement of Section 102.118. Our most recent audit of the Clerk's Office was Report #685 and was released on August 12, 2010.

The Clerk of the Courts (Clerk) is a constitutional office established pursuant to Article V, Section 16 of the Constitution of the State of Florida and Article XII, Section 6 of the City's Charter. The functions of the Clerk's Office are to maintain court records, attend court sessions, process civil and criminal court cases, receive and disburse monies for fines, court costs, forfeitures, fees, service charges, alimony, child support, and victim restitution. The Clerk also maintains official records, issues marriage licenses, and processes tax deeds for Duval County (County). The Clerk receives funding from both the State of Florida (State) and the County. Because the City of Jacksonville operates as a consolidated government, the county funding requirements referenced herein are provided by the City of Jacksonville (City). In addition to the county obligations required pursuant to Article V to fund certain court-related items, the City funds the Clerk's county-related functions which include the Tax Deeds Office, Marriage License Office, and Recording Office. In fiscal year 2013/14, the City authorized a budget of \$3,575,775, which is utilized to fund 32 full-time positions and 5,200 part-time hours for county-related functions and other county obligations.

The main funding source for the county obligations outlined above is the recording fees on documents such as deeds, mortgages, and notices. A fee of \$10.00 for the first page and \$8.50 for each additional page is charged each time one of these documents is recorded in the Official Records. Per 2005 House Bill 1935, Section 6, and Section 28.24 of the Florida Statutes, the detail of the \$10.00 fee for recording, indexing, and filing instruments is as follows:

Distributed To (Used For)	1st Page	Each Add'l Page
City (Clerk of Court County Related Duties)	\$ 5.00	\$ 4.00
City (Technology for State Trial Courts, State Attorney, and Public Defender)	2.00	2.00
Clerk of the Court (Public Records Modernization Trust Fund - County Related IT Needs)	1.00	0.50
Clerk of the Court (Public Records Modernization Trust Fund - Court Related IT Needs)	1.90	1.90
Florida Association of Court Clerks and Comptrollers Inc.	0.10	0.10
Total Fee	\$ 10.00	\$ 8.50

In relation to the state budget, the Clerk has a \$2 million deposit with the City which it draws on each month as the City processes the payroll and most other day-to-day court-related expenses of the Clerk's Office. After the close of each month, the City prepares and sends an invoice to the Clerk's Office for the reimbursement of the prior month's expenditures.

At the time of our prior audit the City and the Clerk's Office were operating under a Memorandum of Understanding (MOU) which was entered into on February 6, 2008. The MOU was entered into because both parties were in disagreement over the interpretation of Revision 7 to Section 14 of the State's constitution (which was enacted into law on July 1, 2004), and the amendments to Florida Statutes concerning the distribution of county revenues and costs charged to the Clerk's Office for Information Technology (IT) expenditures. On October 1, 2010, after the release of our audit, the former Clerk of the Courts terminated the MOU.

SCOPE AND METHODOLOGY BY OBJECTIVE

Objective 1

Statement

To determine whether the Clerk was assessing the appropriate fees for County-related revenues (recording, tax deeds and marriage licenses) and accurately distributing these revenues to the City/County and Public Records Modernization Trust Fund (PRMTF).

Scope

Our scope was October 1, 2013 through September 30, 2014. We expanded the scope for our Tax Deeds Office testing to include applications applied for at the Tax Collector for the period of October 1, 2011 through September 30, 2013 due to timing considerations.

Methodology

To reach a conclusion on the recording related revenues we performed the following:

- Reviewed numerous Florida Statutes and other relevant laws and regulations to gain an understanding of county-related revenues.

- Reviewed the fee database set up in the Clerk’s Recording System to determine whether amounts charged in the system were assessed at the correct amount and being properly distributed.
- Obtained data directly from the Clerk’s recording system to determine the amount of revenue collections and compared it to deposits with the City.
- Reviewed a sample of 100 transactions processed in the recording system to verify fees were properly assessed and collected on the recording of the document.

For Tax Deed related revenues, we tested a sample of 93 tax deed applications from the calculation of the application fee and base bid through the sale and distribution of surplus, as applicable. This sample was tested to ensure that all tax deed application fees, base bid amounts, and surplus fees were calculated correctly.

Objective 2

Statement

To determine whether the City was being properly reimbursed for court-related (i.e. State) expenses incurred from April 1, 2009 through September 30, 2014 in a timely manner.

Scope

Our scope was April 1, 2009 through September 30, 2014. This extended period was utilized so that we could examine the gap from the end of our prior audit through the beginning of the current audit.

Methodology

To perform this testing, we accessed the City’s accounting system and noted the Clerk’s court-related expenses from April 1, 2009 through September 30, 2014. We then reviewed the monthly invoices submitted to the Clerk’s Office from the City’s Accounting Division. Next, we downloaded cash receipts from the Tax Collector’s website to see each reimbursement from the Clerk. Lastly, we compared the information obtained from the three sources to determine whether the City was accurately billing the Clerk and whether the Clerk was paying the correct amount on a timely basis.

REPORT FORMAT

Our report is structured to identify Internal Control Weaknesses, Audit Findings, and Opportunities for Improvement as they relate to our audit objectives. Internal control is a process implemented by management to provide reasonable assurance that they achieve their objectives in relation to the effectiveness and efficiency of operations and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the design or operation of the internal controls or is an area in which there are currently no internal controls in place to ensure that objectives are met. An Audit Finding is an instance where management has established internal controls and procedures, but responsible parties are not operating in compliance with the established controls and procedures. An Opportunity for Improvement is a suggestion that we believe could enhance operations.

SUGGESTED ADDITIONAL AUDIT WORK

In limiting the scope of this audit, we did not pursue the following areas, and as such they should be considered for future audit work:

- Revenue received by the Clerk on behalf of the City pertaining to court-related operations.
- Cost benefit analysis of the Clerk's IT Department being separated from the City's IT Department.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDITEE RESPONSES

Responses from the auditee have been inserted after the respective finding and recommendation. We received these responses from Ronnie Fussell, Clerk of the Courts, on July 17, 2015 and from Michael Weinstein, City's Chief Financial Officer, on August 4, 2105.

AUDIT CONCLUSIONS

1. Based on testing performed, it appears the Clerk is assessing the appropriate fees for County-related revenues (recording, tax deeds and marriage licenses) and accurately distributing these revenues to the City and PRMTF.
2. Overall, it appears that the Clerk properly reimbursed the City for court-related expenditures during our audit scope period.

AUDIT OBJECTIVE #1

To determine whether the Clerk was assessing the appropriate fees for County-related revenues (recording, tax deeds and marriage licenses) and accurately distributing these revenues to the City/County and Public Records Modernization Trust Fund (PRMTF).

Internal Control Weakness 1 – 1 *Issues with Policies and Procedures*

The Clerk’s Marriage License Office, Recording Office, Tax Deeds Office, Information Technology and Finance Office policies and procedures were in the process of being updated at the time of our audit; however, they were missing necessary items related to day-to-day activities. Without a complete set of Standard Operating Procedures (SOPs), there is an increased risk that employee turnover could lead to the loss of institutional knowledge. Also, there is more risk for inconsistent processes which could lead to errors.

Recommendation to Internal Control Weakness 1 – 1

We recommend that the Clerk’s Office review the policies and procedures that are in place for those areas and update them to include any missing necessary items.

Clerk’s Response to Internal Control Weakness 1 –1

Agree Disagree Partially Agree

The Clerk's Office recognizes the need and importance of current policy and procedure manuals and we have been working diligently since taking office to bring them up to date or develop manuals where none previously existed. Standard Operating Procedures for these areas were in the process of being updated at the time of the audit and continue to be a work in process.

Internal Control Weakness 1 – 2 *Excessive Access Rights*

We noted various issues related to the level of access to the Clerk’s recording and tax deeds systems. Specifically, we found issues with users having access rights without a valid business purpose based on current assignment and other accounts with active access even though the employees associated with the account were no longer employed.

During our testing we found the following:

- Recording System – 49 of 97 active user accounts (50.51%) were flagged as excessive, inappropriate or at least highly questionable based on their current job assignment and status.
- Tax Deeds Processing System – 10 of 24 active user accounts (41.66%) were inappropriate based on the current job assignment and status.
- Tax Deed Auction Website – 6 of 16 active user accounts (37.50%) were inappropriate based on the current job assignment and status.

Recommendation to Internal Control Weakness 1 – 2

We recommend that the Clerk’s Office carefully and regularly review access rights to ensure that there is a proper separation of duties and that access is appropriately restricted to users who have a valid business purpose.

Additionally, the process for terminating employees and removing their system access needs to be updated.

Clerk's Response to Internal Control Weakness 1 – 2

Agree Disagree Partially Agree

All items noted during the audit were immediately corrected prior to audit completion. We feel strongly about ensuring that access to systems are set at the appropriate level. A policy has been put in place outlining systems access as well as a schedule for reviewing individual access levels are still valid and appropriate.

Internal Control Weakness 1 – 3 *Issues with Cashiering and Deposit Processes*

We noted during testing that the cashiering and deposit processes for the Tax Deeds area of the Clerk's Office were not fully automated. Given computer system limitations in which some fees charged to customers were incorporated into the system and others were not, a receipt book was utilized for some transactions while others were entered into the Tax Deeds system. Due to this system limitation, each morning an employee had to manually create a deposit spreadsheet that allocated all the funds collected the prior day to the appropriate accounts rather than relying on the computer system to determine this distribution. Anytime that cash collections must be handled outside of an automated system, there is an increased risk for theft or errors to occur.

Additionally, we noted the following violations of the City's SOPs for Cash Receipts:

1. Employees shared the same cash drawer.
2. Cash receipts were being balanced in the morning. This creates the opportunity for an employee to borrow from the collected money at night and replenish it in the morning.
3. The Office did not endorse checks "for deposit only" until the morning after received.

Recommendation to Internal Control Weakness 1 – 3

The processes for the Tax Deeds area should be updated so that they are in compliance with the City's Cash Receipts policy. This would include all employees being assigned their own cash drawer and receipt book until such time that a more robust cash receipt system can be implemented by the Tax Deeds area which would be more automated. Also, cash receipts should be balanced at the end of day and checks should be immediately endorsed.

Clerk's Response to Internal Control Weakness 1 – 3

Agree Disagree Partially Agree

The current Tax Deeds system is an extremely manual system and this administration immediately identified this as a weakness in operations. A replacement for this system should be live and operational within the next three months. A contract was signed with the replacement

vendor on 4/1/2015. The replacement system will address these concerns and significantly improve operations in this area.

Finding 1 – 1 *Issues with Fees in Clerk’s Office Recording System*

Pursuant to the Florida Statutes, the Clerk is required to collect and distribute certain revenues on behalf of the County and State. Based on the testing performed, we found that the Clerk’s Office has some active fees within the recording system that do not have a statutory basis and others are being charged the incorrect amount. Of the 59 active fees in the system, we found:

- Nine fees were not authorized by the statutes (six of these were noted as an issue during the prior audit). Only one of these fees was charged during our audit scope for a total dollar amount of \$2,361.90.
- Four fees had statutory authority, but did not have the correct fee rate. None of these were charged to customers during our audit scope.

Recommendation to Finding 1 – 1

We recommend that the Clerk’s Office maintain records that indicate the statutory basis for all fees charged in its recording system. They need to deactivate the fees that do not have statutory authority. There also needs to be at least one documented review each year to verify that fee amounts have not changed within the Florida Statutes.

Clerk’s Response to Finding 1 – 1

Agree Disagree Partially Agree

These issues have been addressed and will continue to be monitored.

Finding 1 – 2 *Previous Clerk Administration Depositing Funds into the Incorrect Subfund*

Pursuant to the Florida Statutes, the Clerk is required to collect and distribute certain revenues on behalf of the County and State. During our testing, we found that the Clerk’s Office appears to have deposited amounts into the incorrect subfund with the City. Of the 6-year period tested, we found 3 amounts totaling \$106,010.84 that appear to have been deposited by the previous Clerk Administration into the General Fund/General Services District rather than the appropriate subfunds.

Recommendation to Finding 1 – 2

We recommend the City research these errors to confirm there were no adjustments to move these payments to the correct subfund and then make appropriate corrections as needed. Due to there being no issue related to the current Clerk’s Administration and the fact the current Clerk’s Administration has updated the process, another process change is not warranted at this time.

City's Finance Department Response to Finding 1 – 2

Agree Disagree Partially Agree

We have initiated the research effort to determine if there were any correcting journal entries. Once the research is complete, we will make the appropriate journal entries.

Finding 1 – 3 *Tax Deeds Backlog*

The Clerk's Office is tasked with processing the tax deed auctions. A part of its duties is to charge the applicants processing costs and determine the minimum opening bid amounts. The process starts off with receiving hard copies of the applications from the Tax Collector's Office. As of the last sale performed during fiscal year 2013/14, there was a minimum of a 16-month delay from the application date to the auction date. This is 10 to 11 months more than what would appear to be a reasonable processing period of 5 to 6 months. This backlog caused the Clerk's Office additional work because they are now performing an in-house update to the title search previously performed at the Tax Collector's Office, which results in even more processing time. Another result of the time delay is that the minimum bid amounts are being increased due to increased interest charges.

Recommendation to Finding 1 – 3

Consistent with our recommendation stated in Opportunity for Improvement 1-2 below, we recommend that the Clerk's Office update the tax deeds system to one that can communicate with the Tax Collector's Office so that all files can be uploaded directly from the system.

The Clerk's Office also needs to work out a solution to address the current backlog that currently exists.

Clerk's Response to Finding 1 – 3

Agree Disagree Partially Agree

The current Tax Deeds system is an extremely manual system and this administration immediately identified this as a weakness in operations. As such, a replacement for this system should be live and operational within the next three months. A contract was signed with the replacement vendor on 4/1/2015. This system will interface/receive files directly from the Tax Collector's Office that will reduce manual data entry and risk of errors. It will also allow for tax deed files to be worked more efficiently thus reducing the backlog of files.

Finding 1 – 4 *Cash Receipts Shortage*

In reviewing the transaction detail for the entire fiscal year we noticed two shortages (\$833.70 and \$161.70) that were not properly addressed until we inquired about them. In both instances, a new check was supposed to be submitted by the company; however, none had been at the time

we inquired. Based on discussions with the Clerk's Office, these two checks have subsequently been re-issued after we inquired about the shortages.

Recommendation to Finding 1 – 4

We recommend the Clerk's Office revise current procedures surrounding instances when checks need to be reissued to ensure all revenue owed is collected.

Clerk's Response to Finding 1 – 4

Agree Disagree Partially Agree

Procedures have been put in place to prevent this from happening in the future. All funds noted were recovered.

Opportunity for Improvement 1 – 1 *Electronic Interface Between Clerk Recording and Accounting Systems*

As noted in the prior audit report, the Clerk's Recording/Cashiering System should be electronically interfaced with the Clerk's Accounting System to ensure that data is recorded in the most accurate and efficient manner possible. Currently, there is no electronic interface between the two systems. An employee from the Clerk's Finance Department manually inputs the data from the Clerk's Recording/Cashiering System into the Clerk's Accounting System using summary reports from the Clerk's Recording/Cashiering System. Given that the Clerk's Accounting System is the system the Clerk relies on to determine the amounts to remit to the County, State and other entities, it is imperative that the Clerk's Accounting System is accurate. Any manual data input increases the risk for errors and irregularities to occur.

Recommendation to Opportunity for Improvement 1-1

As recommended in the prior audit report, the Clerk's Office should research what steps need to be performed to create an electronic interface between the Recording/Cashiering System and Accounting System. We recognize that this would require that a report file be created in the Clerk's Recording/Cashiering System that is able to be uploaded to the Clerk's Accounting System and that the Clerk would have to determine the cost and feasibility of creating such a file.

Clerk's Response to Opportunity for Improvement 1-1

Agree Disagree Partially Agree

We could not agree more with this recommendation. This was not addressed by the prior administration and we have been working on a solution. This will be resolved with the replacement of the Tax Deeds system as previously mentioned. An interface between the new Tax Deeds system and the Clerk's General Ledger is a contract requirement for the system which should be live and operational within the next three months.

Opportunity for Improvement 1–2 *Efficiency in the Tax Deeds Office*

The Tax Deeds Office has the opportunity to improve the efficiency of the tax deed sale process. Pursuant to Florida Statutes 197.542, the Clerk is tasked with operating tax deed sales. At the time of our audit, the Tax Deeds Office received hard copies of tax deed application packets from the Tax Collector’s Office. The Tax Deeds Office must then scan in this information and enter applicable data into the Clerk’s tax deeds system. These tasks consume time that could be better spent performing other activities related to the tax deed sale process.

Recommendation to Opportunity for Improvement 1–2

We recommend that the Clerk’s Office look into procuring a system or software that could electronically interface with the Tax Collector’s system and enable them to receive the applications electronically, thereby eliminating the scanning and entering of data that already exists in the Tax Collector’s system.

Clerk’s Response to Opportunity for Improvement 1–2

Agree Disagree Partially Agree

As stated in the response to Finding 1-2, a new system has been procured, contract signed and should be operational within the next three months. This system will interface directly with the Tax Collector's Office.

AUDIT OBJECTIVE #2

Determine whether the City was properly reimbursed for court-related (i.e. State) expenses incurred from April 1, 2009 through September 30, 2014 in a timely manner.

Finding 2 – 1 *The Clerk’s Office is Not Receiving Credit for Positive Interest*

Back in October 2007, the Clerk deposited \$2 million with the City to create a balance for the City to draw from for payments processed by the City for the benefit of the Clerk’s state operations. It was established to help alleviate the need for negative monthly interest charges to the Clerk’s Office associated with the City advancing funds that could otherwise be utilized for other City operations. The largest cost that the City advances funds for to the Clerk is the payroll for all of the Clerk’s employees given that they are classified as City employees and are on the City pension, although they are funded by the State’s budget. The City then bills the Clerk after the close of the month for all expenditures incurred by the City on behalf of the Clerk’s court-related functions. Anytime there are negative interest charges, these amounts are added to the monthly invoice. However, in each instance where the Clerk earned positive interest, we noticed that the City did not credit the Clerk for these earnings on the monthly invoice.

Recommendation to Finding 2 – 1

We recommend the Clerk be credited for positive interest in the same manner that they are charged for negative interest earnings. Past positive interest earnings should be credited to the Clerk by the City as part of Audit Follow-Up Finding 3.

Clerk’s Response to Finding 2 – 1

Agree Disagree Partially Agree

We agree with this finding and will review the positive interest calculation performed by the City's Finance Department.

City’s Finance Department Response to Finding 2 – 1

Agree Disagree Partially Agree

We are reviewing our automated interest income system to ensure that distributions based on average daily cash balances, either positive or negative, are accurately computed and posted.

Opportunity for Improvement 2 – 1 *Timeliness and Accuracy of Reimbursement Issues*

The process of the Clerk’s Office reimbursing the City for court-related expenses could be more timely and accurate if the Clerk’s Office directly looked up the net expenses of the Clerk’s court-related activities within the City’s accounting system on a specified day each month (e.g. 7th) and paid this amount to the City. This would be in lieu of the current method which involves waiting on an invoice created by the City’s Accounting Division based on the information in the City’s accounting system.

Recommendation to Opportunity for Improvement 2 – 1

We recommend that the City’s Accounting Division cease sending monthly invoices to the Clerk. Instead the Clerk’s Office should directly look up the net expenses within the City’s Accounting system on a specified date each month (e.g. 7th) and pay this amount to the City. After adjusting and closing entries are completed for the fiscal year, there should be a reconciliation performed to determine whether the Clerk’s Office owes any additional amount or whether a credit is owed back to the Clerk’s Office.

Clerk’s Response to Opportunity for Improvement 2 – 1

Agree Disagree Partially Agree

We agree and have already started this procedure. We have begun paying based on what is reflected in FAMIS as of the 10th of the month for the previous month. We look forward to working with the City's Finance Department on an yearly reconciliation process.

City's Finance Department Response to Opportunity for Improvement 2 – 1

Agree Disagree Partially Agree

We agree to the extent that we engage the Clerk in a conversation on this subject. We, the City, would not normally pay without an invoice or a like document as a matter of sound financial controls. Therefore we would not expect that the Clerk would either. The consequence of waiting on an invoice is that the cash balance in s/f 811 will very likely be a substantial negative number. There may be an alternate cash balance device that would keep the fund at a minimal positive. The Clerk's financial staff has access to FAMIS and can monitor all activity in s/f 811 in nearly real time. It remains to identify a model that maintains best control practices while addressing the chronic negative cash balance.

AUDIT FOLLOW-UP

We released an audit report of the Clerk of the Courts Office on August 12, 2010 for the period of October 1, 2007 through March 31, 2009. That audit included similar objectives to the ones above as well as these three additional objectives:

1. To determine whether the \$1.00/\$.50 and \$1.90 portions of the Recording Fees retained by the Clerk of the Courts within the PRMTF were properly spent in accordance with all applicable laws and regulations.
2. To determine whether the City was funding the Clerk's county-related expenses (recording, tax deeds and marriage licenses) in accordance with Article V of the State's Constitution.
3. To determine whether the Clerk was in compliance with the MOU with the City that was signed on February 6, 2008.

Due to the timing of performing an audit of the Clerk's Office once every five years and at the request of the current Clerk of the Court who wanted time to transition into the office, we did not perform a follow-up until now. Below are the remaining outstanding items that have not been resolved since our prior audit. All other items from the previous audit were either addressed by the Clerk's Office or were no longer applicable after the former Clerk of Court terminated the MOU with the City.

Overall Comment on Audit Follow-Up

Overall, we found that many of the monetary findings noted in the prior audit were never fully resolved by either the Clerk or the City. As a result, certain subfunds within the City remain in a negative cash position. One subfund in particular has had no activity since FY 2008/09 except for negative interest, which has annually ranged from \$8,500 to over \$200,000. This has resulted in the subfund going from approximately a \$1.6 million negative cash position to a nearly \$2 million negative cash position in the interim. In another subfund, the cash position is negatively impacted by the City and the Clerk's Office not paying (or transferring over) a combined \$0.5 million to the subfund.

While the Clerk's Office is partially responsible for some of the negative cash positions, the City's General Fund/General Service District will have to cover the majority of the funding needed to fix these issues, which are estimated to total \$2.5 million.

Audit Follow-Up Finding 1 *IT Cost Reimbursement Issues*

There is a subfund within the City of Jacksonville named Clerk – Technology Recording Fees. This subfund had a negative cash balance of \$1,984,217 as of September 30, 2014. This subfund is no longer actively used. The negative cash balance is partially caused by negative interest earnings and other billing issues not directly addressed in the MOU which resulted in a net negative impact of \$492,587. However, the negative position is mainly the result of the City and the Clerk's Office not resolving two specific items from the MOU.

1. There was an offset in expenses that was supposed to take place between the Clerk's Office and the City related to expenses previously incurred by each side on behalf of the other. Specifically, there was \$905,560 in IT-related expenses paid for by the City from October 1, 2006 through July 31, 2007 on behalf of the Clerk's Office. These expenses were paid out of the Clerk – Technology Recording Fees (S/F 15S). Per the MOU that was in effect at the time, the City would not be reimbursed this amount because the Clerk had paid \$892,881 in security and storage costs on behalf of the City in fiscal years 2005/06 and 2006/07. Therefore, the City should have transferred \$905,560 from the General Fund to the Clerk – Technology Recording Fees subfund (S/F 15S).
2. There was another \$586,070 in court-related IT expenditures that were incurred by the City on behalf of the Clerk's Office within the Clerk – Technology Recording Fees (S/F 15S). These costs were incurred from August 1, 2007 through March 31, 2008. The Clerk's Office should have sent \$586,070 to the City to be placed into the Clerk – Technology Recording Fees subfund (S/F 15S).

Based on our previous research, no documentation was provided by either the City or the Clerk's Office, which was a requirement of the MOU for the offsets and additional payment to take place. During the responses to the previous audit report, the Clerk's Office stated it would determine its disposition based on a detailed invoice being provided, and the City stated it would ensure that City's Information Technology Division billings were rendered to the Clerk's Office; however, as of the time of our testing this matter had not been resolved.

Recommendation to Audit Follow-Up Finding 1

We recommend that the City's Finance Department and Clerk's Office work together with assistance provided by the Office of General Counsel and the Council Auditor's Office, as needed, to come to some agreement as to who will cover which costs so that this subfund no longer has a negative cash balance.

Clerk's Response to Audit Follow-Up Finding 1

Agree Disagree Partially Agree

We are happy to work with all parties to bring this longstanding issue to closure. All of the items noted here are related to issues during the prior Clerk of Court's administration. We do not know why this was not addressed by the prior clerk and as time has passed (some items go back more than 10+ years), it becomes harder and harder to understand and follow. We will work with all parties to come to a fair and equitable solution.

City's Finance Department Response to Audit Follow-Up Finding 1

Agree Disagree Partially Agree

Subfund 15S has not been used in recent years and is not expected to be in the future. The negative balance will have to be addressed sooner or later. Accordingly, the Finance Department we will work with the Clerk's Office, OGC and the Council Auditor to determine the best course of action to bring the balance to zero.

Audit Follow-Up Finding 2 *Overcharging of Indirect Cost Allocation by the City*

The City charged the Clerk's state budget \$336,640 for indirect costs in fiscal year 2013/14. The indirect cost allocation is calculated by a third party consultant; however, the allocation includes some costs that are not allowed to be charged to the Clerk's state budget. Specifically, only \$303,436 of the amount in the study was allowable due to state law and actual use. Because of this, \$33,204 was overcharged by the City.

Recommendation to Audit Follow-Up Finding 2

We recommend that the City's Finance Department change how certain costs are included and allocated within the indirect cost calculation so that no adjustment has to be made to the dollar amount stated in the report.

Currently, the City's General Fund/GSD owes the Clerk's Office state budget \$33,204. The City's Accounting Division and Clerk's Office should work together with assistance provided by the Office of General Counsel and the Council Auditor's Office, as needed, to address the amount owed from the City to the Clerk's Office, in conjunction with other findings noted in this audit.

City's Finance Department Response to Audit Follow-Up Finding 2

Agree Disagree Partially Agree

The indirect cost allocation study has been amended to exclude the disallowed items from current and future indirect cost allocation studies. Additionally, once we have reviewed the

underlying details of the \$33,204 amount, we will determine the best means of restoring these funds.

Audit Follow-Up Finding 3 *\$536,405 is Still Owed to the Clerk’s Court-Related Subfund*

During our prior audit we noted that there was an outstanding amount of \$562,040 that was owed by the Clerk’s Office to the Clerk’s court-related subfund (S/F 811). This was the result of the City’s Accounting Division, at the request of the Clerk’s Office, moving certain IT costs out of the Clerk’s court-related subfund (S/F 811) and into another one of its accounts. That amount was deducted from the invoice sent to the Clerk’s Office for that month and not added to another billing for several months. The amount was eventually added back to the monthly invoice; however, the Clerk’s Office still did not reimburse the Clerk’s court-related subfund (S/F 811) the \$562,040. The last invoice this amount was included on was billed in August of 2010.

During our testing and follow-up on that finding from the prior audit, we found that the Clerk’s court-related subfund (S/F 811) is now owed a net \$536,405 in total from the City and Clerk’s Office. The owed amount of \$536,405 is made up of:

- \$395,375 owed from the City’s General Service District (S/F 011).
- \$141,030 owed from the Clerk’s Office.

The \$395,375 owed by the City is the result of how an issue noted in our prior audit was addressed by the City. Specifically, the General Fund/GSD of the City owed the Clerk’s court-related subfund (S/F 811) \$395,375 due to overcharging for indirect costs. On the last invoice the City billed the Clerk for the \$562,040, noted above, the City reduced the \$562,040 by the \$395,375 to account for the amount owed by the City. However, no cash was ever transferred from the General Fund/GSD to the Clerk’s court-related subfund (S/F 811).

The \$141,030 owed by the Clerk’s Office was reduced down from the remaining balance owed from the prior audit of \$166,665 (\$562,040 less \$395,375) due to other billing and payment issues that occurred over time including the Clerk’s Office not receiving credit for positive interest earned, which is noted in Finding 2-1.

Recommendation to Audit Follow-Up Finding 3

We recommend that the City’s Finance Department and the Clerk of the Court’s Office work together with the assistance of the City’s Office of General Counsel and the Council Auditor’s Office, as needed, to address the amounts owed from the City and the Clerk’s Office in conjunction with other findings noted in this audit.

Clerk’s Response to Audit Follow-Up Finding 3

Agree Disagree Partially Agree

We are happy to work with all parties to bring this longstanding issue to closure. All of the items noted here are related to issues during the prior Clerk of Court’s administration. We do not know why this was not addressed by the prior clerk and as time has passed (some items go back

more than 10+ years), it becomes harder and harder to understand and follow. We will work with all parties to come to a fair and equitable solution.

City's Finance Department Response to Audit Follow-Up Finding 3

Agree Disagree Partially Agree

The Finance Department will work with the Clerk's Office, OGC and the Council Auditor to address the owed amounts.

Audit Follow-Up Opportunity for Improvement 1 *Tax Deed Applicant Fee Tracking*

The Clerk's Tax Deeds Office could be more efficient if the tracking of payments by tax deed applicants was more automated and secure. We noted during this audit that the application tracking process was similar to what we noted in the prior audit. One of the employees in the Tax Deeds Office was assigned the task of keeping track of numerous tax deed applicants and identifying whether they had remitted their application fees. This involved checking a hard copy file each day to see who had not paid.

Recommendation to Audit Follow-Up Opportunity for Improvement 1

We recommend that the process of tracking outstanding applicants fees be performed in a more efficient and secure manner, which would be less susceptible to errors or manipulation. The Tax Deeds Office should work with the Clerk's IT Department to implement features in the current (or future) version of the Tax Deeds software that would allow for this to occur.

Clerk's Response to Audit Follow-Up Opportunity for Improvement 1

Agree Disagree Partially Agree

As stated in responses above, the replacement Tax Deeds system will address this concern.

We appreciate the assistance and cooperation we received from the Clerk of the Courts' Office through the course of this audit.

Respectfully submitted,

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