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DEPARTMENT OF
FINANCIAL SERVICES

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Sharon R. Bock
Clerk & Comptroller

TOM GALLAGHER
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

January 3, 2006

The Honorable Sharon R. Bock
Clerk of Circuit Court
Palm Beach County
301 North Oliver Avenue
West Palm Beach, Florida 33401

Dear Ms. Bock:

We completed our review of the budget certifications your office made to the Clerk of Court Operations Corporation. Enclosed is a copy of our report which includes your written response to our review findings.

We appreciate your advanced preparation for our review and the courtesy extended to our team. We look forward to working with your office to improve the budgetary process and, as always, welcome your suggestions.

Please contact Burton Marshall at (850) 413-5588 or burton.marshall@fldfs.com if you have any questions regarding the enclosed report.

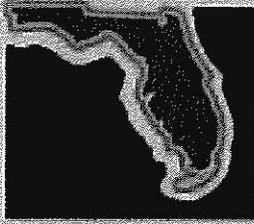
Sincerely,

A handwritten signature in black ink, appearing to read "Douglas A. Darling".

Douglas A. Darling

DAD:cc

Enclosure



FLORIDA

DEPARTMENT OF

FINANCIAL SERVICES

CHIEF FINANCIAL OFFICER

TOM GALLAGHER

**Palm Beach County
Clerk of Circuit Court
Budget Review**

REPORT DATE:

January 3, 2006

TABLE OF CONTENTS

INTRODUCTION	1
SUMMARY	1
SCOPE, OBJECTIVES, AND METHODOLOGY	2
Scope	2
Objectives	2
Methodology	2
FINDINGS AND RECOMMENDATIONS	4
REVIEW TEAM	4
APPENDIX	
Review Letter	A
Budget Questionnaire	B
Clerk's Response	C



CHIEF FINANCIAL OFFICER TOM GALLAGHER

INTRODUCTION

Pursuant to Section 28.35(3)(b), Florida Statutes (F.S.), we have completed a review of the budget certifications made by the Palm Beach County Clerk of Circuit Court's office to the Clerk of Court Operations Corporation (CCOC). The scope of our review focused on validating the processes and methodologies utilized in the development of the Clerk's budgets for fiscal year 2004-2005 (FY 04-05) and fiscal year 2005-2006 (FY 05-06).

The Chief Financial Officer (CFO) has contracted with CCOC to establish a process for review and certification of the court-related budgets submitted by the Clerks of Circuit Courts. Pursuant to Section 28.36, F.S., 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.

SUMMARY

- The FY 04-05 approved budget was \$30,513,115, which did not include a budget reserve. The FY 05-06 approved budget was \$31,681,641, which was calculated with a 6.98 percent projected revenue growth rate that increased the Expenditure Cap to \$31,682,365.
- Palm Beach County has a population of 1,242,270 and had 570.65 Full Time Employees (FTE's) supporting court-related activities in FY 04-05 and 557.76 FTE's in FY 05-06.
- The FY 04-05 projected revenues were \$28,332,237. The Clerk will need an additional \$2,180,878 to meet projected expenditures, placing them in a deficit position. The Department of Revenue (DOR) is scheduled to transfer \$181,739.83 each month to the Clerk's office. Through August 2005, the clerk has received a total of \$1,999,140. The FY 05-06 projected revenues were \$30,692,505, (does not include Child Support IV D Revenue) due to an estimated 6.98 percent revenue growth in Civil Case filings.
- Actual FY 04-05 revenues and expenditures show average monthly revenues to be \$126,010 less than budgeted, and average monthly expenditures to be \$367,096 less than budgeted. This increased the Clerk's FY 04-05 position from a projected deficit of \$2,180,878 to a surplus of \$2,893,025. Actual expenditures were less than estimated by approximately \$4,405,149 for FY 04-05. This was primarily due to the clerk's inability to fill vacant positions because of low salaries and unaffordable housing in the county.
- The Clerk can measure and report on all 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 and FY 05-06 budgets. Our review was conducted October 11 - 13, 2005, at the Palm Beach County Clerk of Circuit Court's office.

Objectives and Methodology

The budget review was conducted with the following objectives:

- Pursuant to Sections 28.35, 28.36 and 28.37, F.S., each Clerk shall develop a budget funded from fees, service charges, court costs and fines. 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). Annually the budget shall be submitted to CCOC for its review and approval. The CCOC budget approval process focuses on the following key components:
 - Overhead Cost Allocation – The Palm Beach County Clerk's office applied a 73 percent cost allocation rate for FY 04-05 and a 72 percent cost allocation for FY 05-06.
 - Our review of supporting documentation disclosed the methodology used and the calculation and distribution of overhead costs were reasonable.
 - Distribution of Court-related FTE's – 570.65 of the 778.63 FTE's in FY 04-05 and 557.76 of the 775.65 FTE's in FY 05-06 are directly supportive of court related functions. Based on our review, the approach used in the allocation of FTE's was reasonable and well documented.
 - General Fund Expenditures – The final approved budget for FY 04-05 was \$30,513,115. Major expenditure categories were budgeted as follows: Personal Services (\$27,529,824), Operating Expenses (\$2,983,290). The approved budget for FY 05-06 totaled \$31,681,641. Major expenditure categories were budgeted as follows: Personal Services (\$28,733,309), Operating Expenses (\$2,948,331).
 - Revenue Forecasting – FY 04-05 projected revenues are \$28,332,237 and were based upon historical data and adjusted for reasonable anticipated growth. FY-05-06 projected revenues are \$30,692,505 based on actual FY 04-05 revenues with a projected revenue growth rate of 6.98 percent.
 - Based on our review, the Clerk's FY 04-05 and FY 05-06 budgets were prepared pursuant to CCOC instructions and submitted in accordance with the provisions of Section 28.36, F.S.
 - The Clerk's staff reported the methodologies used in conjunction with budget preparation and control in the Budget Control Questionnaire (See Appendix B).

- Expenditures during the review period were limited to those court-related functions as specified in Section 28.35(4)(a), F.S.
- Revenue sources, as authorized by Section 28.36(3)(b), F.S., to fund the court-related expenditures include the following: cash balances brought forward from the prior fiscal period, revenue projected to be received from fees, service charges, court costs and fines for court-related functions during the fiscal period covered by the budget. Effective July 1, 2004, assessment rates for fines and fees were substantially increased in accordance with Chapter 2003-402, Laws of Florida. Actual revenues from October 1, 2004 through June 30, 2005 were lower than projected.
- Section 28.246, F.S., requires the Clerk to maintain a partial fee payment system. The Palm Beach Clerks office is currently working with the county to extract partial fee payment data from a shared database.
- Based on the FY 04-05 and FY 05-06 approved budgets, Palm Beach County is a deficit county and scheduled to receive monthly payments from DOR of \$181,740 in FY 04-05 and \$82,428 in FY 05-06. Through August, 2005, the Clerk had received \$1,999,140 from DOR.
- The following performance measures were adopted by CCOC, pursuant to Section 28.35, F.S., for FY 04-05:
 - Outputs – The number of civil cases filed and the number of criminal defendants handled, by Court Division, as identified by the Clerk’s Office. Palm Beach County reported 97,272 cases for the third quarter in FY 04-05.
 - Outcome Measure – 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. This system was tested and found to be reliable and accurate.
 - Collection Rate – The collection rate is calculated by dividing collections by the adjusted assessments. Although the Clerk was unable to report on this data through June 30, 2005, the Clerk was able to report compliance by the end of the fiscal year (September 30, 2005).

FINDINGS AND RECOMMENDATIONS

Finding Number 1

The Palm Beach County Clerk of Court's office is currently sharing financial data with the County Office and has not been able to obtain aged accounts receivable data for quarterly performance reporting.

Recommendation Number 1

The Palm Beach County Clerk of Court should continue to work with the County Office to establish an information database that would allow full access to all accounts receivable records.

REVIEW TEAM

Burton Marshall, *Financial Administrator*
Charles Culp, *Professional Accountant Supervisor*
Delvis Jimenez, *Professional Accountant Specialist*
Priscilla Bailey-Brown, *Professional Accountant Specialist*
Angie Rowe, *Professional Accountant Specialist*
Ryan Redmon, *Professional Accountant Specialist*

APPENDIX

Appendix A



TOM GALLAGHER
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

September 29, 2005

The Honorable Sharon Bock
Clerk of the Circuit Court
Palm Beach County
301 North Olive Avenue
West Palm Beach, Florida 33401

Dear Ms. Bock:

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 11, 12, 13, and 14, 2005. The review will encompass the following objectives: Analyze the methodologies used to develop both the current and prior fiscal years Clerk of the 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 operating activities, we request you have the following available upon our arrival:

1. A current organization chart.
2. Internal documentation used to allocate full time employees to court-related activities.
3. Payroll subsidiary ledger for the most recent pay date and each employee's annual salary for court related positions.
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.
6. Expenditure Tracking Reports submitted to the CCOC.
7. Copies of monthly transmittals to the Department of Revenue for surplus funds remitted if applicable.
8. Report detailing outstanding accounts receivables.
9. Workspace for DFS and a lead from your office to assist in the review.
10. Annual Financial Report and Audit Report for the most recent reporting period.

Please have the above information available for fiscal years 2004-2005 and 2005-2006 as our review will cover both fiscal years. Mr. Burton Marshall, Mr. Charles Culp, Mr. Ryan Redmon and Ms. Priscilla Bailey-Brown will represent DFS during this review.

It is not our intent to disrupt your operations and if for any reason the dates selected cannot be accommodated, please contact us to re-schedule. Please use Mr. Burton Marshall as our primary point of contact at 850-413-5588 or burton.marshall@fldfs.com.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Douglas A. Darling".

Douglas A. Darling

DAD/cc

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

Appendix B

CLERK OF COURT BUDGET REVIEW BUDGET CONTROL QUESTIONNAIRE

County: Palm Beach

Person(s) Interviewed: Leslie Van Wagner, Accounting Manager

Date: October 11, 2005

I. BUDGET ADMINISTRATION

- i. Who is involved in the annual budget process and what are their roles?

RESPONSE: Each department manager is required to make an annual budget request. All of the individual requests are consolidated into one budget for the entire office of the Clerk and Comptroller.

- ii. Who is responsible for the control and maintenance of the approved budget by monitoring actual spending versus budgeted amounts?

RESPONSE: The monitoring of actual spending versus the approved budget is controlled by the Accounting Department. Banner Finance, the Clerks Financial System, has been established not to allow a requisition to be approved without available budget. If a requisition is for more than the available budget, the manager is required to request a budget transfer from within the operating accounts in their department.

- iii. Who is responsible for calculating the estimated budgeted revenue and expenditure amounts?

RESPONSE: Leslie Van Wagner, Accounting Manager.

- iv. How are you utilizing the Uniform Accounting System Manual? Have you made any modifications to the account codes for reporting purposes?

RESPONSE: We extract the year to date expenses from the Banner Finance System to an excel worksheet. The department account balances are then distributed and allocated to the correct UASM transaction codes (500-700). This process is done so that we can properly report Article V expenses for the monthly court revenue and expenditure tracking reports. This monthly report is sent to CCOC, the FACC and Clerk management staff.

II. BUDGET MANAGEMENT

- i. Is your certified budget (maximum expenditure cap) approved by CCOC the same amount that is reported on your budget submission report for both FY 04-05 and 05-06?

REPSONSE: Yes.

Appendix B (continued)

- ii. Can you provide prior monthly, quarterly and annual spending plans that compare actual spending versus budget?

RESPONSE: Monthly Palm Beach files electronically with CCOC and court revenue and expenditure tracking reports. This report is cumulative for each month of the clerk's fiscal year.

- iii. Can you provide a copy of your last independent financial audit and a copy of your county financial plan for the last two fiscal years?

RESPONSE: Yes.

- iv. What measures are taken if estimated expenditures project to be greater than budgeted amounts? How are these issues resolved?

RESPONSE: We have budgetary controls over our expenditures; however, if through our monitoring process we determine there will be a revenue shortfall impacting our ability to provide for expenditures we would take appropriate action. We have not had a need to implement any corrective actions.

- v. What are the procedures for identifying non-court cost from court-related cost?

RESPONSE: Monthly tracking report costs include direct costs of court operations and indirect cost from our support services. Indirect costs are allocated based on a methodology provided by CCOC and are added to the direct operational costs (County, Civil and Circuit Civil) to determine the total monthly court operational costs. Non-Court costs are generally identified by the specific department (Accounting and Finance) and are allocated as indirect cost to court operations.

- vi. Are any Optional Court-Related program expenditures included in your budget or actual expenditure reports?

RESPONSE: No.

- vii. Do both your FY 04-05 and FY 05-06 budgets include a contingency reserve that does not exceed 10 percent of your total authorized budget?

RESPONSE: No.

- viii. What criteria are used to determine the need for a budget amendment request? Have there been any amendments requested in FY 04-05 and FY 05-06 and can you provide any supporting documentation concerning such a request?

REPSONSE: No requests were necessary during FY 04-05 and we do no anticipate an amendment being necessary during FY 05-06.

Appendix B (continued)

- ix. What system(s) are in place to gather the necessary data to ensure that all performance measures are being met? Can you currently collect and report all output data in a timely manner? If not, please provide an explanation.

RESPONSE: We have two systems. The Criminal courts are on the mainframe and Civil and Juvenile courts are using the Banner system. Yes, we have been able to collect and report in a timely manner.

For the criminal court the collection rate is done by using a statistical sample and the timeliness rates are done by using a judgment sample. Both methods have been approved by CCOC.

The data needed for the civil and juvenile courts performance measures are extracted from the Banner system.

III. BUDGET REPORTING

- i. Who is responsible for the compilation and submission of the budgetary control reports and how are they transmitted?

RESPONSE: Leslie Van Wagner transmits the monthly court revenue and expenditure tracking reports electronically to the CCOC and the FACC.

- ii. Are all items on the required budget checklist from CCOC reviewed and approved by the Clerk or a Financial Administrator?

RESPONSE: The budget completion checklist is reviewed by Barbara Elliot (Data Base Administrator) and approved by Leslie Van Wagner (Accounting Manager).

- iii. Did you submit both your FY 04-05 and FY 05-06 budget forms by CCOC deadline? If not, what problems occurred?

RESPONSE: Yes.

- iv. What procedures are used for reporting budgetary surplus or deficits?

RESPONSE: Budgetary surplus and deficits are monitored by using the monthly tracking reports submitted to the CCOC and FACC. They are then reviewed by Clerk management and staff.

Appendix C



SHARON R. BOCK
Clerk & Comptroller
Palm Beach County

December 9, 2005

Mr. Tom Gallagher, Chief Financial Officer
Department of Financial Services
200 East Gaines Street
Tallahassee, Florida 32399-0300

Dear Mr. Gallagher:

We have reviewed your Budget Review Report on the Office of Clerk and Comptroller, Palm Beach County dated November 17, 2005. We concur with the finding, as well as, the recommendation.

Our corrective action plan is to have the Clerk and Comptroller, Palm Beach County, Information Technology (IT) Department work with the Palm Beach County, Information System Services (ISS) Department to establish an information database that would be refreshed monthly by ISS until the conversion to the new system. It is anticipated that IT would facilitate query access to all accounts receivable records.

In closing, on behalf of the Honorable Clerk and Comptroller of Palm Beach County we commend the review team and look forward to working with your office in the future.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kenneth L. Johnson', is written over a horizontal line.

Kenneth L. Johnson, CIA, CISA, CPA, MBA
County Audit Director

301 North Olive Avenue
West Palm Beach, Florida 33401

P.O. Box 229
West Palm Beach, Florida 33402

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Facsimile 561-355-6727

www.pbccountyclerk.com

cc: Sharon R. Bock, Clerk & Comptroller
Un Cha Kim, Chief Operations Officer
Steve Stanec, Chief Information Technology Officer