

**OSCEOLA COUNTY
CLERK OF THE CIRCUIT COURT**

FINANCIAL STATEMENTS

Year Ended September 30, 2013

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MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Armando Ramirez,
Clerk of the Circuit Court Osceola County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Osceola County, Florida, Clerk of the Circuit Court (the "Clerk"), as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Clerk's financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Clerk's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Clerk's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Clerk as of September 30, 2013, and the respective changes in financial position, and the respective budgetary comparisons for the General Fund, Public Records Modernization Trust Fund, and Public Records Information Technology for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Armando Ramirez,
Clerk of the Circuit Court Osceola County, Florida

Emphasis of Matter

As described in Note 1 to the financial statements, the accompanying financial statements were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557(3), Rules of the Auditor General for Local Governmental Entity Audits. These financial statements are not intended to be a complete presentation of the financial position of Osceola County, Florida, as of September 30, 2013, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2014, on our consideration of the Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clerk's internal control over financial reporting and compliance.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
April 4, 2014

OSCEOLA COUNTY CLERK OF THE CIRCUIT COURT

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2013

	General	Public Records Modernization Trust Fund	Public Records Information Technology	Total Governmental Funds
Assets				
Cash and investments	\$ 2,087,460	\$ 3,598,982	\$ 868,649	\$ 6,555,091
Due from other funds	100,572	-	-	100,572
Due from other county units	3,706	-	-	3,706
Due from other governments	126,313	-	-	126,313
Total assets	\$ 2,318,051	\$ 3,598,982	\$ 868,649	\$ 6,785,682
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 20,942	\$ 129,044	\$ -	\$ 149,986
Accrued liabilities	152,179	-	-	152,179
Due to other county units	727,276	-	-	727,276
Due to other governments	653,066	-	-	653,066
Unearned revenue	764,588	-	-	764,588
Total liabilities	2,318,051	129,044	-	2,447,095
Fund balances:				
Restricted for records modernization	-	3,469,938	-	3,469,938
Restricted for information technology	-	-	868,649	868,649
Unassigned	-	-	-	-
Total fund balances	-	3,469,938	868,649	4,338,587
Total liabilities and fund balances	\$ 2,318,051	\$ 3,598,982	\$ 868,649	\$ 6,785,682

The accompanying notes are an integral part of the special-purpose financial statements.

OSCEOLA COUNTY CLERK OF THE CIRCUIT COURT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS**

Year Ended September 30, 2013

	<u>General</u>	<u>Public Records Modernization Trust Fund</u>	<u>Public Records Information Technology</u>	<u>Total Governmental Funds</u>
Revenues				
Intergovernmental	\$ 8,707,785	\$ -	\$ -	\$ 8,707,785
Fees, fines and service charges	3,104,174	729,626	737,054	4,570,854
Investment earnings	-	7,558	3,240	10,798
Total revenues	<u>11,811,959</u>	<u>737,184</u>	<u>740,294</u>	<u>13,289,437</u>
Expenditures				
Current				
General government:				
Personal services	8,864,947	-	-	8,864,947
Operating	1,460,728	164,657	-	1,625,385
Capital outlay	140,995	578,480	-	719,475
Total expenditures	<u>10,466,670</u>	<u>743,137</u>	<u>-</u>	<u>11,209,807</u>
Excess of revenues over (under) expenditures	<u>1,345,289</u>	<u>(5,953)</u>	<u>740,294</u>	<u>2,079,630</u>
Other financing sources (uses)				
Transfers in	1,201,486	309,617	-	1,511,103
Transfers out:				
Osceola County Board of County Commissioners	(584,620)	-	-	(584,620)
Interfund	(309,617)	(464,432)	(737,054)	(1,511,103)
Remittances to Florida Department of Revenue	(1,652,538)	-	-	(1,652,538)
Total other financing sources (uses)	<u>(1,345,289)</u>	<u>(154,815)</u>	<u>(737,054)</u>	<u>(2,237,158)</u>
Net change in fund balances	-	(160,768)	3,240	(157,528)
Fund balances, at beginning of year	-	3,630,706	865,409	4,496,115
Fund balances, at end of year	<u>\$ -</u>	<u>\$ 3,469,938</u>	<u>\$ 868,649</u>	<u>\$ 4,338,587</u>

The accompanying notes are an integral part of the special-purpose financial statements.

OSCEOLA COUNTY CLERK OF THE CIRCUIT COURT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS

September 30, 2013

Assets

Cash	\$ 25,593,941
Accounts receivable	143,008
Due from other county units	<u>110,843</u>
Total assets	<u>\$ 25,847,792</u>

Liabilities

Due to other funds	\$ 100,572
Due to other county units	351,784
Due to other governments	1,487,596
Deposits	<u>23,907,840</u>
Total liabilities	<u>\$ 25,847,792</u>

The accompanying notes are an integral part of the special-purpose financial statements.

OSCEOLA COUNTY CLERK OF THE CIRCUIT COURT

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - BUDGET AND ACTUAL
GENERAL FUND**

Year Ended September 30, 2013

	<u>General Fund</u>			Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 9,317,558	\$ 9,317,558	\$ 8,707,785	\$ (609,773)
Fees, fines and service charges	-	-	3,104,174	3,104,174
Total revenues	<u>9,317,558</u>	<u>9,317,558</u>	<u>11,811,959</u>	<u>2,494,401</u>
Expenditures				
Current				
General government:				
Personal services	9,028,480	9,028,480	8,864,947	163,533
Operating	1,773,295	1,773,295	1,460,728	312,567
Capital outlay	650,000	650,000	140,995	509,005
Total expenditures	<u>11,451,775</u>	<u>11,451,775</u>	<u>10,466,670</u>	<u>985,105</u>
Excess of revenues over (under) expenditures	<u>(2,134,217)</u>	<u>(2,134,217)</u>	<u>1,345,289</u>	<u>3,479,506</u>
Other financing sources (uses)				
Transfers in	1,555,549	1,555,549	1,201,486	(354,063)
Transfers out:				
Osceola County Board of County Commissioners	-	-	(584,620)	(584,620)
Interfund	578,668	578,668	(309,617)	(888,285)
Remittances to Florida Department of Revenue	-	-	(1,652,538)	(1,652,538)
Total other financing sources (uses)	<u>2,134,217</u>	<u>2,134,217</u>	<u>(1,345,289)</u>	<u>(3,479,506)</u>
Net change in fund balances	-	-	-	-
Fund balances, at beginning of year	-	-	-	-
Fund balances, at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the special-purpose financial statements.

OSCEOLA COUNTY CLERK OF THE CIRCUIT COURT

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - BUDGET AND ACTUAL
PUBLIC RECORDS MODERNIZATION TRUST FUND**

Year Ended September 30, 2013

	<u>Public Records Modernization Trust Fund</u>			
	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues				
Fees, fines and service charges	\$ -	\$ -	\$ 729,626	\$ 729,626
Investment earnings	-	-	7,558	7,558
Total revenues	-	-	737,184	737,184
Expenditures				
Current				
General government:				
Operating	-	-	164,657	(164,657)
Capital outlay	-	-	578,480	(578,480)
Total expenditures	-	-	743,137	(743,137)
Excess of revenues over (under) expenditures	-	-	(5,953)	(5,953)
Other financing sources (uses)				
Transfers in	-	-	309,617	309,617
Transfers out:				
Interfund	(464,432)	(464,432)	(464,432)	-
Total other financing sources (uses)	(464,432)	(464,432)	(154,815)	309,617
Net change in fund balances	(464,432)	(464,432)	(160,768)	303,664
Fund balances, at beginning of year	-	-	3,630,706	3,630,706
Fund balances, at end of year	\$ (464,432)	\$ (464,432)	\$ 3,469,938	\$ 3,934,370

The accompanying notes are an integral part of the special-purpose financial statements.

OSCEOLA COUNTY CLERK OF THE CIRCUIT COURT

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - BUDGET AND ACTUAL
PUBLIC RECORDS INFORMATION TECHNOLOGY**

Year Ended September 30, 2013

	<u>Public Records Information Technology</u>			Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Fees, fines and service charges	\$ -	\$ -	\$ 737,054	\$ 737,054
Investment earnings	-	-	3,240	3,240
Total revenues	-	-	740,294	740,294
Expenditures				
Current				
General government:				
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	-	-	740,294	740,294
Other financing sources (uses)				
Transfers out:				
Interfund	(737,054)	(737,054)	(737,054)	-
Total other financing sources (uses)	(737,054)	(737,054)	(737,054)	-
Net change in fund balances	(737,054)	(737,054)	3,240	740,294
Fund balances, at beginning of year	-	-	865,409	865,409
Fund balances, at end of year	\$ (737,054)	\$ (737,054)	\$ 868,649	\$ 1,605,703

The accompanying notes are an integral part of the special-purpose financial statements.

**CLERK OF THE CIRCUIT COURT
OSCEOLA COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Osceola County is a political subdivision of the State of Florida located in the central portion of the state. The County was established under Article VIII, Section (1), *Constitution of the State of Florida*. The County operates under a Home Rule Charter.

The Clerk of the Circuit Court (the “Clerk”) is an elected Constitutional Officer of the County. For financial statement and reporting purposes, the Clerk is a separate constitutional officer as provided by Chapter 218, *Florida Statutes*. However, the Clerk does not meet the definition of a legally separate organization and is not considered to be a component unit. Accordingly, the Clerk is considered to be part of the primary government of Osceola County, Florida (the “County”), and the financial activities of the Clerk are included as such in the County’s annual financial report, along with the other Constitutional Officers and the Osceola County Board of County Commissioners (the “Board”). The financial statements contained herein represent the financial transactions of the Clerk only. There are no component units for the Clerk to consider for inclusion in the fund financial statements.

The Clerk is a fee officer whose operating budget is funded solely from fees, fines, and service charges relating to various statutory court and non-court services provided by the office. No funds are received from the Board other than applicable fees.

The accounting policies of the Clerk conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

Basis of Presentation

These financial statements are fund financial statements that have been prepared in conformity with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB) and accounting practices prescribed by the State of Florida, Office of the Auditor General.

**CLERK OF THE CIRCUIT COURT
OSCEOLA COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The financial activities of the Clerk are recorded in separate funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent, and the means by which spending activities are controlled.

The purposes of the Clerk's various funds are categorized and described as follows:

Governmental Fund Types:

General Fund

The General Fund is used to account for all revenues and expenditures applicable to the general operations of the Clerk that are not required either legally or by accounting principles generally accepted in the United States of America to be accounted for in another fund. The General Fund measurement focus is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources, rather than upon net income determination).

Special Revenue Funds

Public Records Modernization Trust Fund – This fund accounts for the proceeds of specific revenue sources pursuant to *Florida Statute 28.24(12)(d)*, that are legally restricted to expenditures for equipment and maintenance of equipment, personnel training, and technical assistance in modernizing the Clerk of the Circuit Court's public records systems.

Public Records Information Technology Fund – This fund accounts for the proceeds of specific revenue sources pursuant to *Florida Statute 28.24(12)(e)*, that are legally restricted to expenditures for court-related technology needs.

Fiduciary Fund Type:

Agency Funds – The Agency Funds account for the assets held by the Clerk in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. These are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. A statement of net assets is presented for the Agency Fund. However, a statement of changes in net assets is not presented since there are no operations in the Agency Fund, only assets and liabilities.

**CLERK OF THE CIRCUIT COURT
OSCEOLA COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of Accounting

Basis of accounting refers to the method by which revenues and expenditures are recognized in the accounts and reported in the fund financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Governmental Funds and Agency Funds are maintained on the modified accrual basis. Under the modified accrual basis, revenues are recognized when they are received in cash or when they are considered both measurable and available and, as such, are susceptible to accrual. Expenditures are recorded when the liability is incurred and/or will be paid from expendable available financial resources.

The Clerk considers receivables collected within 30 days after year end to be available and susceptible to accrual as revenues of the current year. The following major revenues are considered susceptible to accrual: intergovernmental revenue, charges for services, and interest earned. Intergovernmental revenue, consisting of a cost reimbursement grant, is recognized as revenue as the related expenditures are incurred.

Budgets and Budgetary Accounting

During the 2009 legislative session, the Florida legislature reduced statewide funding for Clerk's of Court budgets. The legislature changed any future budget to a State fiscal year of July 1 to June 30. The Clerk of Court's funding process was also changed to an appropriation from the State of Florida (the "State") rather than the existing revenue model. All court revenues will be collected and disbursed monthly to the State. The fiscal year for the Clerk continues to be from October 1 to September 30, and any unexpended appropriation for the Court's budget is rolled into the subsequent State's fiscal year.

Expenditures are controlled by appropriations in accordance with the budget requirements set forth in the *Florida Statutes*. Formal budgetary integration is employed as a management control device during the year for the Clerk's General Fund. Appropriations lapse at the close of the fiscal year to the extent they have not been expended, except for the Clerk of Court's funds, which lapse at the end of the State's fiscal year on June 30th. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**CLERK OF THE CIRCUIT COURT
OSCEOLA COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

The Clerk follows these procedures in establishing the budgetary data reflected in the financial statements:

Section 218.35 of the *Florida Statutes* provides the budget requirements for county fee officers and refers to budget requirements of Section 28.36 of the *Florida Statutes* for court-related functions of the Clerk. The budget must be balanced and segregated by funds. The proposed budget is required to be filed with the county governing authority by September 1 preceding the fiscal year of the budget. Subsequent balanced budget amendments relating to non-court operations may be approved by the Clerk.

Section 28.36 of the *Florida Statutes* requires the Clerk to prepare a separate budget for the court-related functions of the Clerk. Only those functions specified by Section 28.35(3)(a) of the *Florida Statutes* may be funded from court-related fees, service charges, court costs, and fines retained by the Clerk. The proposed budget is filed with the Clerk's of Court Operations Corporation (the "Corporation") by October 1 preceding the fiscal year of the budget, in the format required by the Corporation. The Corporation verifies that the proposed budget is limited to court-related functions. Section 28.36 also defines the maximum annual budget permitted. With the 2009 legislative changes, the Corporation submits a legislative budget request for all Clerks that will result in an appropriation by the Florida Legislature.

Increases to the court functions budget must be submitted to and approved by the Corporation. Transfers of approved budget funds between accounts and appropriation categories (personal services, operating expenses, capital outlay, and non-operating) may be approved by the Clerk.

The budgeted revenues and expenditures in the accompanying budgetary comparison statement reflect the Clerk's original adopted budget and the final budget with all amendments approved by the Clerk or the Corporation. Budgetary authority is exercised at the fund level. Revenues and expenditures for the Public Records Modernization Trust Fund and the Public Records Information Technology Fund were budgeted in the current year in the General Fund. Expenditures for the Public Records Modernization Trust Fund are authorized on a five-year budget in the Public Records Modernization Trust Fund Report. The amounts included in the budgetary comparison statement reflect actual amounts spent in the current year. The total

**CLERK OF THE CIRCUIT COURT
OSCEOLA COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Budgets and Budgetary Accounting *(Continued)*

amounts available to be budgeted for the Public Records Modernization Trust Fund and the Public Records Information Technology Fund for the current year were \$740,000 and \$1,276,342, respectively.

Investments

Investments in external investment pools that follow Securities and Exchange Commission (“SEC”) Rule 2a-7 regulations are reported at amortized cost, which approximates fair value.

Capital Assets

Capital assets purchased in the Governmental Fund Types are recorded as expenditures (capital outlay) at the time of purchase. The tangible personal property used by the Clerk is reported to and recorded by the Board as capital assets, at cost, in the statement of net assets in the government-wide financial statements of the County. The Clerk maintains custodial responsibility for the capital assets used by the Clerk.

Compensated Absences

Employees accrue vacation leave based on their employment date or seniority date and length of employment. They may accrue from 12 to 22.5 days of vacation per year. Annual leave in excess of 30 days is forfeited on December 31 following the end of the fiscal year. Employees are not paid for vacation leave in lieu of taking a vacation. An employee is paid for earned vacation leave only upon separation.

Employees earn one day of sick leave for each month of employment. Upon separation, employees who have at least 20 years of continuous service will be paid for all accrued hours of sick leave. Employees with less than 20 years and two or more years of continuous service will be paid for all hours in excess of 40 hours.

The Clerk uses the vesting method to calculate the liability for compensated absences. The Clerk does not, nor is he legally required to, accumulate expendable available financial resources to liquidate these obligations. Accordingly, the liability for compensated absences is not reported in the General Fund, but is included in the statement of net assets in the government-wide financial statements of the County.

**CLERK OF THE CIRCUIT COURT
OSCEOLA COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transfers In and Out

The Clerk collects fees pursuant to Section 28.24(12)(e), *Florida Statutes*, that are legally restricted to expenditures for court-related information technology needs. These fees are accounted for in a special revenue fund. The amount needed to fund the General Fund's court-related information technology expenditures is recorded as a transfer in by the General Fund and as a transfer out by the special revenue fund on the financial statements of the Clerk. Unexpended amounts are transferred back to the special revenue fund at the end of the fiscal year.

In accordance with Section 218.36, *Florida Statutes*, all general fund non-court-related revenues in excess of non-court-related expenditures during the fiscal year are distributed to the Board within 31 days following the end of the fiscal year. Accordingly, such amounts are recorded as liabilities due to other county units and as transfers out to the Board on the financial statements of the Clerk.

NOTE 2 – CASH AND INVESTMENTS

As of September 30, 2013, the Clerk had the following in cash and investments:

	Carrying Amount
Cash on Hand	\$ 12,760
Deposits in Qualified Public Depositories	30,006,725
Florida PRIME	2,129,547
Total Cash and Investments	\$ 32,149,032

Credit Risk

The Clerk's investment practices are governed by Section 218.415(17), *Florida Statutes*, and include the following investments:

1. The Florida PRIME (formerly the Local Government Surplus Trust Funds Investment Pool) administered by the State Board of Administration, or any authorized intergovernmental investment pool;

**CLERK OF THE CIRCUIT COURT
OSCEOLA COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2013

NOTE 2 – CASH AND INVESTMENTS (Continued)

Credit Risk (Continued)

2. SEC-registered money market funds with the highest credit quality rating from a nationally-recognized rating agency;
3. Interest-bearing time deposits or savings accounts in qualified public depositories; and
4. Direct obligations of the U.S. Treasury.

The Clerk does not have an investment policy that would further limit its investment choices.

Florida PRIME is administered by the Florida State Board of Administration (“SBA”). Florida PRIME is an external investment pool that is not a registrant with the SEC; however, the SBA has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. Florida PRIME is governed by Chapter 19-7 of the *Florida Administrative Code*, which identifies the Rules of the SBA. These rules provide guidance and establish the general operating procedures for the administration of Florida PRIME. Additionally, the State of Florida, Office of the Auditor General, performs the operational audit of the activities and investments of the SBA. The fair value of the Clerk’s position in the pool approximates the value of pool shares. Investments in Florida PRIME are not evidenced by securities that exist in physical or book entry form. The current rating for the Florida PRIME is AAAM by Standards and Poor’s. The weighted average days to maturity of the Florida PRIME at September 30, 2013, is 39 days.

As of September 30, 2013, the Clerk’s Public Records Special Revenue Funds had \$1,460,231 and \$626,122 invested in Pool A and B, respectively, with an unrealized loss in the amount of \$27,862.

The SBA issues separate financial statements that may be obtained from its website, <https://www.sbafla.com/prime>, or by calling (850) 488-4406.

**CLERK OF THE CIRCUIT COURT
OSCEOLA COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2013

NOTE 2 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the government's deposits may not be returned to it or the organization may not be able to recover the value of its investments that are in possession of an outside party.

Qualified public depositories of public funds are required to provide collateral each month pursuant to Section 280.04, *Florida Statutes*. The collateral is held by the Florida Division of Treasury or other custodian with full legal rights maintained by the Florida Division of Treasury to transfer ownership. Any loss not covered by the pledged securities and deposit insurance would be assessed by the Florida Division of Treasury and paid by the other public depositories.

The Clerk's deposits are, therefore, considered fully insured or collateralized. Bank balances at September 30, 2013, were \$38,288,570.

NOTE 3 – EMPLOYEES' RETIREMENT AND BENEFIT PLANS

Retirement Plan

All full-time and permanent part-time employees of the Clerk are eligible to participate in the Florida Retirement System (the "FRS"). The FRS includes various plans, including a defined benefit pension plan, which is primarily a cost-sharing multiple-employer defined benefit public employee pension plan. The defined benefit plan is administered by the State of Florida, Department of Management Services, Division of Retirement.

Information as to benefits, contribution rates, and vesting requirements by membership category, is provided in the Osceola County, Florida, annual financial report. Contributions and benefits are established by Section 121.71, *Florida Statutes*. Participating employer contributions are based upon actuarially determined blended rates established by the State Legislature, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Beginning July 1, 2011, a three percent employee contribution was required by active employees.

**CLERK OF THE CIRCUIT COURT
OSCEOLA COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2013

NOTE 3 – EMPLOYEES’ RETIREMENT AND BENEFIT PLANS (Continued)

Retirement Plan (Continued)

The contributions paid for the years ended September 30, 2013, 2012, and 2011, were \$414,725, \$313,531, and \$557,279, respectively, which is equal to the required contribution for each year.

The FRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Division of Retirement, Post Office Box 9000, Tallahassee, Florida 32315-9000, or by calling (850) 488-5706.

NOTE 4 – LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities of the Clerk is as follows:

	Balance	Additions	Retirements	Balance
	October 1, 2012			September 30, 2013
Liability for compensated absences	\$ 391,640	\$ 732,481	\$ 710,937	\$ 413,185

Of the \$413,185 liability for accrued compensated absences, management estimates that \$277,910 will be due and payable within one year. The long-term liabilities are not reported in the financial statements of the Clerk since they are not payable from available resources at September 30, 2013. As discussed in Note 1, they are reported in the statement of net assets in the government-wide financial statements of the County.

NOTE 5 – OTHER POST-EMPLOYMENT BENEFITS

The Clerk participates in the County’s plan covering other post-employment benefits. For a detailed plan description and any liability for employees of the Clerk, see the Osceola County, Florida, Comprehensive Annual Financial Report for the fiscal year ended September 30, 2013.

**CLERK OF THE CIRCUIT COURT
OSCEOLA COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2013

NOTE 6 – RISK MANAGEMENT

Osceola County maintains a self-insured risk management program that provides for coverage of risks of loss related to worker’s compensation claims. This fund is administered by a third-party administrator. The Clerk makes payments to the County based upon payroll exposure in the amounts needed to pay prior and current year claims. The contribution required for the year ended September 30, 2013, was \$17,651. Excess coverage with a commercial carrier is also in force for each claim exceeding \$500,000.

NOTE 7 – INTERFUND RECEIVABLES AND PAYABLES

Individual fund interfund receivable and payable balances at September 30, 2013, are as follows:

	Interfund Receivable	Interfund Payable
Fund		
General	\$ 100,572	\$ -
Fiduciary:		
Other Civil	-	100,572
Total all funds	\$ 100,572	\$ 100,572

The General Fund carries a \$20,000 balance due from the Other Civil Agency Fund, which is not expected to be repaid within the subsequent fiscal year. The balance was created as a result of the General Fund providing a cash reserve for the Other Civil Agency Fund’s returned checks for child support payments.

NOTE 8 – COMMITMENTS

On November 8, 2010, the Clerk entered into an agreement for installation and implementation of new software. The total fees under this contract are \$1,111,250. As of September 30, 2013, a total of \$1,006,700 has been paid. Payments on the remaining balance are expected to be made through the 2014 fiscal year.

NOTE 9 – EVALUATION OF SUBSEQUENT EVENTS

The Clerk has evaluated subsequent events through April 4, 2014, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

OSCEOLA COUNTY CLERK OF THE CIRCUIT COURT

**COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES - ALL AGENCY FUNDS**

Year Ended September 30, 2013

	<u>Balance September 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2013</u>
Recording Agency Fund				
Assets:				
Cash	\$ 806,776	\$ 38,646,695	\$ (37,347,338)	\$ 2,106,133
Accounts receivable	60,735	12,646,069	(12,658,761)	48,043
Total assets	<u>\$ 867,511</u>	<u>\$ 51,292,764</u>	<u>\$ (50,006,099)</u>	<u>\$ 2,154,176</u>
Liabilities:				
Due to other county units	\$ 48,404	\$ 836,260	\$ (818,840)	\$ 65,824
Due to other governments	505,175	31,242,607	(30,981,073)	766,709
Deposits	313,932	4,197,406	(3,189,695)	1,321,643
Total liabilities	<u>\$ 867,511</u>	<u>\$ 36,276,273</u>	<u>\$ (34,989,608)</u>	<u>\$ 2,154,176</u>
Fine & Forfeiture Agency Fund				
Assets:				
Cash	\$ 1,649,587	\$ 18,880,734	\$ (19,106,724)	\$ 1,423,597
Accounts receivable	(2,363)	3,592,881	(3,559,605)	30,913
Total assets	<u>\$ 1,647,224</u>	<u>\$ 22,473,615</u>	<u>\$ (22,666,329)</u>	<u>\$ 1,454,510</u>
Liabilities:				
Due to other county units	\$ 287,642	\$ 4,812,806	\$ (4,814,688)	\$ 285,760
Due to other governments	444,606	6,833,103	(6,816,846)	460,863
Deposits	914,976	7,347,707	(7,554,796)	707,887
Total liabilities	<u>\$ 1,647,224</u>	<u>\$ 18,993,616</u>	<u>\$ (19,186,330)</u>	<u>\$ 1,454,510</u>
County Circuit/Civil Agency Fund				
Assets:				
Cash	\$ 434,041	\$ 7,441,032	\$ (7,649,653)	\$ 225,420
Accounts receivable	2,527	3,508,453	(3,464,840)	46,140
Total assets	<u>\$ 436,568</u>	<u>\$ 10,949,485</u>	<u>\$ (11,114,493)</u>	<u>\$ 271,560</u>
Liabilities:				
Due to other county units	\$ 389	\$ 3,029	\$ (3,218)	\$ 200
Due to other governments	428,533	4,371,433	(4,570,330)	229,636
Deposits	7,646	101,067	(66,989)	41,724
Total liabilities	<u>\$ 436,568</u>	<u>\$ 4,475,529</u>	<u>\$ (4,640,537)</u>	<u>\$ 271,560</u>

See independent auditor's report.

	Balance September 30, 2012	Additions	Deletions	Balance September 30, 2013
Bond Holding Agency Fund				
Assets:				
Cash	\$ 381,049	\$ 1,255,236	\$ (1,354,507)	\$ 281,778
Due from other county units	121,099	180,842	(191,098)	110,843
Total assets	<u>\$ 502,148</u>	<u>\$ 1,436,078</u>	<u>\$ (1,545,605)</u>	<u>\$ 392,621</u>
Liabilities:				
Deposits	\$ 502,148	\$ 2,666,930	\$ (2,776,457)	\$ 392,621
Total liabilities	<u>\$ 502,148</u>	<u>\$ 2,666,930</u>	<u>\$ (2,776,457)</u>	<u>\$ 392,621</u>
Tax Deeds Agency Fund				
Assets:				
Cash	\$ 1,744,807	\$ 3,785,448	\$ (3,779,043)	\$ 1,751,212
Liabilities:				
Deposits	\$ 1,744,807	\$ 7,537,452	\$ (7,531,047)	\$ 1,751,212
Total liabilities	<u>\$ 1,744,807</u>	<u>\$ 7,537,452</u>	<u>\$ (7,531,047)</u>	<u>\$ 1,751,212</u>
Other Civil Agency Fund				
Assets:				
Cash	\$ 13,772,675	\$ 79,115,877	\$ (73,082,751)	\$ 19,805,801
Accounts receivable	16,971	8,441	(7,500)	17,912
Total assets	<u>\$ 13,789,646</u>	<u>\$ 79,124,318</u>	<u>\$ (73,090,251)</u>	<u>\$ 19,823,713</u>
Liabilities:				
Due to other funds	\$ 57,221	\$ 1,637,903	\$ (1,594,552)	\$ 100,572
Due to other governments	21,240	729,911	(720,763)	30,388
Deposits	13,711,185	78,712,198	(72,730,630)	19,692,753
Total liabilities	<u>\$ 13,789,646</u>	<u>\$ 81,080,012</u>	<u>\$ (75,045,945)</u>	<u>\$ 19,823,713</u>
Total				
Assets:				
Cash	\$ 18,788,935	\$ 149,125,022	\$(142,320,016)	\$ 25,593,941
Accounts receivable	77,870	19,755,844	(19,690,706)	143,008
Due from other county units	121,099	180,842	(191,098)	110,843
Total assets	<u>\$ 18,987,904</u>	<u>\$ 169,061,708</u>	<u>\$(162,201,820)</u>	<u>\$ 25,847,792</u>
Liabilities:				
Due to other funds	\$ 57,221	\$ 1,637,903	\$ (1,594,552)	\$ 100,572
Due to other county units	336,435	5,652,095	(5,636,746)	351,784
Due to other governments	1,399,554	43,177,054	(43,089,012)	1,487,596
Deposits	17,194,694	100,562,760	(93,849,614)	23,907,840
Total liabilities	<u>\$ 18,987,904</u>	<u>\$ 151,029,812</u>	<u>\$(144,169,924)</u>	<u>\$ 25,847,792</u>

See independent auditor's report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Armando Ramirez,
Clerk of the Circuit Court Osceola County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Osceola County, Florida, Clerk of the Circuit Court (the "Clerk"), as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Clerk's basic financial statements, and have issued our report thereon dated April 4, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Clerk's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clerk's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendation, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 2013-001, 2013-002 and combination of significant deficiencies findings number 2013-003 through 2013-009 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 2013-003 through 2013-009 to be significant deficiencies.

To the Honorable Armando Ramirez,
Clerk of the Circuit Court Osceola County, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clerk's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Clerk's Response to Findings

Clerk's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendation. Clerk's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain other matters that we reported to management in a separate letter dated April 4, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Orlando, Florida

April 4, 2014



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Honorable Armando Ramirez,
Clerk of the Circuit Court Osceola County, Florida

We have audited the financial statements of the Osceola County, Florida, Clerk of the Circuit Court (the "Clerk"), as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated April 4, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated April 4, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the state of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address finding and recommendation for item 2012.01. Items 10-01 and 10-02 was reported in the third preceding fiscal year, items 12-02 and 12-03 was reported in the preceding year as noted under Prior Year's Finding heading in our Schedule of Findings and Recommendations. We did not audit the management's response to these findings; accordingly, we express no opinion on it.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Clerk complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

To the Honorable Armando Ramirez,
Clerk of the Circuit Court Osceola County, Florida

- Section 10.554(1)(i)5., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority is disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7., Rules of the Auditor General, requires a statement as to whether or not the Clerk complied with the requirements of Sections 28.35 and 28.36, Florida Statutes. In connection with our audit, we determined that the Clerk materially complied with such requirements. However, we did note an observation that requires reporting and is identified in the schedule of findings and recommendations as item 10-02. This observation was reported in the third preceding fiscal year financial audit report.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
April 4, 2014

CLERK OF THE CIRCUIT COURT OSCEOLA COUNTY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Fiscal Year Ended September 30, 2013

Current Year Findings

Type: Material Weakness

2013-001 CASH RECONCILIATION

Criteria: Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements

Condition: During our current year audit of the Clerk's financial statements, it was noted that bank reconciliations were completed after year-end for the whole year.

Cause: Due to several changes in management positions during the year, cash reconciliations were not prepared or reviewed timely.

Effect: Deposits and withdrawals that were not properly reconciled timely resulted in unreconciled differences in the Clerk's bank reconciliation at year end. Unreconciled items were noted in all of the clerk's reconciliations at year end. Unreconciled amounts should be investigated and not be allowed to carry over from month to month.

Recommendation: We recommend that the bank reconciliations be performed and reviewed for accuracy and completeness on a timely basis by the accounting manager. This process should include tests of mathematical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be determined and followed up on, and any journal entries deemed necessary, should be recorded. If necessary, the accounting clerk who prepares the reconciliations should be given additional training and instruction on how to prepare them accurately and completely.

Management's Response

The Clerk's office fully understands this recommendation and will perform the necessary reconciliations on a timely basis. We are currently reviewing the process to implement automation and efficiencies. All reconciling items will be reviewed to ensure the proper handling and causes of the transactions that resulted as an open item. This will help to identify procedural challenges and potential remedies to future transactions. Change in procedures also includes cross training to ensure sufficient staff members are familiar with this task.

Type: Material Weakness

2013-002 APPROVE JOURNAL ENTRIES

Criteria: All entries should be initialed by a preparer and the individual approving them in order to attribute responsibility to the appropriate individuals.

Condition: During our testing of the Clerk's journal entry process, some transactions did not document any apparent review that the entries were reviewed or approved.

Cause: Due to management turnover in the current year, journal entries were not being reviewed.

Effect: Absence of adequate review process could lead to improper posting, or mislead the information reported in the Clerk's financial statement.

CLERK OF THE CIRCUIT COURT OSCEOLA COUNTY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Fiscal Year Ended September 30, 2013

Current Year Findings

Recommendation: We recommend that the Clerk implement procedures to ensure that all journal entries are reviewed and proper approval has been documented.

Management's Response

The Finance department has re-established a journal entry approval process. Each department member clearly understands that all entries will need to be reviewed for accuracy and have the appropriate approvals prior to entry. The process will also incorporate separation of duty; each process involved in the journal entry will be performed individually, including creating the entry, reviewing the entry or inputting the entry. Each of these steps will be performed by a separate individual.

Type: Significant Deficiency

2013-003 EXCESS FEE PAYMENT

Criteria: Florida Statute 218.36 requires that all unexpended balances at the end of each fiscal year shall be refunded to the Board of County Commissioners 30 days after the end of the fiscal year.

Condition: During the Clerk's preparation of its financial statements, it was noted that Clerk did not properly refund all of its unexpended balances as per the Florida Statute requirements. This was due to an unreconciled item noted during the closing process.

Cause: Due to the fact that cash reconciliation and journal entries were not properly prepared or reviewed timely. Excess fee was not properly calculated.

Effect: The Clerk refunded the remaining balance of its unexpended balances on March 11, 2014.

Recommendation: We recommend that the Clerk enhance its year-end close procedures to ensure compliance with Florida Statutes.

Management Response

The Clerk's office sincerely wants to remit any excess fees, accurately and in a timely fashion. Due to high turnover of personnel in the Finance department, the excess payment to the county was inaccurately calculated. Knowledgeable, competent staff and efficient procedures are now implemented to ensure that processes for the year-end close are completed accurately and timely.

Type: Significant Deficiency

2013-004 PAY RATE CHANGES

Condition: The Clerk does not have a formal policy or procedure in place regarding processing employee pay rate changes.

Criteria: As part of an effective control environment, there should be written policies and procedures for conducting activities within an entity. Management should also review these policies and procedures with key employees.

Cause: Management has not evaluated its current policies and procedures and identified areas of improvement.

CLERK OF THE CIRCUIT COURT OSCEOLA COUNTY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Fiscal Year Ended September 30, 2013

Current Year Findings

Effect: Without a formal policy regarding pay rate changes, the Clerk may be exposed to unauthorized pay rate changes that could lead to employees not being paid correctly.

Recommendation: We recommend that the Clerk implement a formal policy or procedure that outlines who is authorized to implement pay rate changes and the necessary approvals needed to implement the change.

Management Response:

A new policy, HRPP 3.1-12 has been drafted and is in the process of being implemented. The policy is a status change policy and encompasses the audit concerns. The policy will outline who is authorized to initiate any payroll changes and the appropriate level of approval. The Clerk's office is undergoing a review of all HR and Clerk Policies to ensure accuracy and completeness.

Type: Significant Deficiency

2013-005 ACCOUNTS PAYABLE – VENDORS

Condition: The Accounts Payable Clerk has access to enter vendors into the accounting system.

Criteria: Internal control over purchases, accounts payable, and cash disbursements is most effective when there is a clear separation of duties between the Purchasing Department and the Accounts Payable Department.

Cause: Management has not evaluated its current policies and procedures and identified areas of improvement.

Effect: Since the Accounts Payable Clerk has access to enter vendors into the system, the risk exists for the Accounts Payable Clerk to potentially enter a fictitious vendor, and the Accounts Payable Clerk could issue a payment to the fictitious vendor entered.

Recommendation: We recommend that the Accounts Payable Clerk not have access to enter vendors into the accounting system. We also recommend that management review the current assignment of accounting functions.

Management Response:

Finance policies and procedures are being evaluated along with staff responsibilities to ensure there is adequate separation of duties. Currently the Accounts Payable Clerk will no longer have "Vendor maintenance" capabilities. These functions are being performed by the purchasing employee.

Type: Significant Deficiency

2013-006 CHECK LOGS

Condition: The Clerk does not maintain a check log when check stock is taken from the safe during their payroll and cash disbursement check print runs.

Criteria: Internal control over payroll and cash disbursements is most effective when there are controls in place to maintain an inventory or tracking log over all check stock.

CLERK OF THE CIRCUIT COURT OSCEOLA COUNTY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Fiscal Year Ended September 30, 2013

Current Year Findings

Cause: Management has not evaluated its current policies and procedures and identified areas of improvement.

Effect: Lack of a check log for all check stock could potentially lead to a misappropriation of checks used by the Clerk's office if not properly monitored.

Recommendation: We recommend that the Clerk maintain a check log that tracks the first and last check numbers used in each payroll and cash disbursement check run. The log should be initialed by the individual responsible for maintaining the check stock, as well as the individual removing the stock from the safe.

Management Response:

The Clerk's office has implemented a new procedure to utilize check logs to account for all check stock. The log includes the beginning and ending check numbers that were distributed along with the responsible person receiving and distributing the checks.

Type: Significant Deficiency

2013-007 PURCHASING CARDS

Condition: During our testing of purchasing card transactions, some transactions did not document any indication that the transactions were reviewed or approved. Furthermore, during our testing, we also noted some purchasing card transactions included payment of sales tax, which the Clerk's office is exempt from paying.

Criteria: Internal controls are only effective when properly designed and operating as intended; therefore, monitoring internal controls helps ensure that internal controls continue to be effective. Monitoring should be designed to identify and correct weaknesses in internal controls.

Cause: Management and employees are not monitoring and reviewing purchases made using purchasing cards.

Effect: Lack of monitoring purchases made from a purchasing card could lead to unauthorized purchases and a misappropriation of the Clerk's assets.

Recommendation: We recommend that the Clerk require documentation of supervisory approval for all purchases using purchasing cards. Furthermore, all transactions should be carefully monitored and reviewed to ensure that the Clerk is not paying sales tax when purchasing cards are used.

Management Response:

The Clerk's office is reviewing the purchasing card policy and procedure to make the necessary changes to ensure appropriate level of approvals are in place as well as justification for the purchase. IT will also assist in the effort to maintain asset logs and tracking systems. Finance will implement procedures to monitor all transactions for the exemption of sale tax.

CLERK OF THE CIRCUIT COURT OSCEOLA COUNTY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Fiscal Year Ended September 30, 2013

Current Year Findings

Type: Significant Deficiency

2013-008 BUDGET PROCESS

Condition: During our testing of the Clerk's budget, we noted the Finance Department did not post the budget information into the accounting system.

Criteria: Posting the approved budget to the accounting system is a control process to enable management to properly monitor the Clerk's financial activities. The budgeted information will not allow the Clerk's expenditures to exceed the approved amount for each financial line item without proper approval.

Cause: Management did not post the Clerk's approved budget to the accounting system.

Effect: Management has no control over the expenditures that exceed the approved budget amount.

Recommendation: We recommend the approved budget be posted to the accounting system and proper documentation is implemented for each amendment.

Management Response:

The Clerk's Office has a budget; however it has not been entered in the financial accounting software package. Finance will first verify the budget and then upload it to the system. The organization will then use it as a tool to measure performance to the budget.

Type: Significant Deficiency

2013-009 YEAR-END CLOSING

Condition: During our testing of the Clerk's trial balance, we noted that the Finance Department did not close period 13 of the fiscal year ended September 30, 2012.

Criteria: For proper reporting of fund balance, the accounting system needs to be closed for proper rollover information to the subsequent year.

Cause: Due to several changes in management positions during the year, the closing processes were not completed timely.

Effect: Fund balance was not properly rolled over for fiscal year 2013.

Recommendation: We recommend that the year-end closing process be prepared and documented after the audit process being completed.

Management Response:

Due to the personnel turnover in the department, this process was overlooked. "Soft" year-end closes are done to continue to process day-to-day transactions. Due to mitigating circumstances, the "final" close date was missed. Procedures will be adopted to ensure this process is performed after the completion of the annual audit. The Financial close for FY 2013 has already been preformed.

CLERK OF THE CIRCUIT COURT OSCEOLA COUNTY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Fiscal Year Ended September 30, 2013

Prior Years' Findings

10-01 INFORMATION TECHNOLOGY (I.T.) DISASTER RECOVERY PLAN

Condition: During the September 30, 2010 audit, we noted that the Clerk's disaster recovery plan relied exclusively on the tacit knowledge of the Clerk's limited I.T. staff, and there is no formally documented plan.

Recommendation: We recommended that a plan be developed which will provide documented procedures that could be used by anyone in the organization in the event of an IT disaster situation.

Current Year Status: During our audit of the Clerk's financial statements, we performed an assessment of the Clerk's I.T. operations and controls. During this assessment, we noted several areas which could improve the Clerk's I.T. processes. The following areas for improvement noted during our assessment are provided here for your consideration: physical security controls, end-user security controls, network security controls, I.T. policies and procedures, data backup controls, and business continuity/disaster recovery programs. Specific details of these observations are not disclosed in this report to avoid the possibility of compromising the Clerk's information. However, appropriate Clerk personnel have been notified of our specific findings.

This finding was reported in the third preceding fiscal year financial audit report.

Current Year Recommendation: We recommend that the Clerk evaluate the I.T. issues noted above and implement cost-effective procedures to ensure the continued security of the Clerk's I.T. environment.

Management Response:

The disaster recovery plan and function for past Clerk administrations have been outsourced to a private vendor. With a new Clerk and IT Director, these responsibilities will be brought back in-house. The formal plan is being drafted and the function will be phased in over an 18 month time period. Short term goals are either already achieved or in process.

10-02 FAILURE TO ACHIEVE PERFORMANCE MEASUREMENT STANDARDS – MANAGEMENT LETTER

Condition: During our testing of performance data, we noted that the Clerk did not meet all quarterly performance measurement standards developed and certified by the Florida Clerk of Courts Operations Corporation (the "Corporation"). Performance deficiencies were noted in the areas of collection rates and timeliness. As required by Section 28.35, Florida Statutes, the Clerk submitted quarterly corrective action plans to address the performance standards not being met.

Criteria: The Clerk is required to meet performance measurement standards established by the Corporation.

Current Year Status: Based on current-year testing on performance data, the Clerk is still not meeting performance standards in the areas of collections and timeliness. Furthermore, some of the specific areas where the Clerk was not meeting performance standards were not properly submitted to the Corporation in the Clerk's quarterly corrective action plans.

This finding was reported in the third preceding fiscal year financial audit report.

CLERK OF THE CIRCUIT COURT OSCEOLA COUNTY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Fiscal Year Ended September 30, 2013

Prior Years' Findings

Current Year Recommendation: We recommend that the Clerk continue to take the corrective actions previously outlined and reported to the Corporation in order to achieve the applicable performance measurement standards. The Clerk should also ensure it is reporting all areas of underperformance to the Corporation.

Management Response:

The Clerk's office has and will be sending representative to other counties to understand and possibly adopt best practices to improve and attain standards for the performance measures. Collection efforts are being retooled to enhance performance measures, included, but not limited to, adding a call center, an in-house collection department, utilizing DL suspensions as payment catalyst, establishing payment plans, utilizing technology for payment options, and providing more visible resources for payment options.

2012-01 COURT REVENUE/EXPENDITURES NOT REPORTED ON A TIMELY BASIS

Condition: The Clerk failed to remit on a timely basis, \$582,283 in court-related fines, fees, service charges and costs to the Department of Revenue, as required by Section 28.37(2), Florida Statutes. The amount required to be remitted relates to the State's fiscal years ended June 30, 2009, 2010, 2011, and 2012.

Current Year Status: During the current year, the Clerk paid the total amount due of \$775,147 in April 2013. The amount represents the total amount due at that time. As of the end of the fiscal year, the Clerk appears to be in compliance with the payment requirements. We consider this finding to be resolved to our satisfaction.

12-02 OLD DEPOSITS IN NON-INTEREST REGISTRY ACCOUNT

Condition: The Clerk's Non-Interest Registry Deposit Account is utilized to maintain court-ordered deposits or amounts voluntarily placed by plaintiffs, which are less than \$7,500 until pending court-related actions are completed. We noted that there are a number of deposits totaling \$18,089 that have been present in the account for a number of years.

Current Year Status: During our review of the Non-Interest Registry Deposit Account, we noted that the Clerk's staff is in the process of reissuing the checks. This finding was not resolved to our satisfaction.

Current Year Recommendation: We recommend that the Clerk continue the reconciliation process to determine whether the checks need to be reissued or remitted to the State.

Management Response:

The old deposits represent disbursement that went unclaimed. The Finance department will exhaust all means necessary in distributing the monies to the appropriate recipients. After all efforts have been made, monies will be processed as unclaimed property.

CLERK OF THE CIRCUIT COURT OSCEOLA COUNTY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Fiscal Year Ended September 30, 2013

Prior Years' Findings

12-03 OUTSTANDING ACCOUNTS RECEIVABLE – MANAGEMENT LETTER

Condition: We noted that there are several old items on the Clerk's accounts receivable subsidiary reports which are older than two years. The total noted for the period of 1997 – 2010 was \$3,712, with additional credit amounts of \$677.

Current Year Status: During the current year, the credit was properly adjusted. However, as of the end of the current year, no change was made to the outstanding balance.

Current Year Recommendation: We recommend that these amounts be investigated and written off as necessary. We also recommend that a policy be established with respect to write-offs of accounts receivable, which documents procedures to be followed and appropriate approval from the Clerk before these amounts are written off.

Management Response:

These monies are made up of two parts. The first part is \$667 that was already re-classed and applied to the appropriate account. The Entry was made September 2012. The second part is \$3,712 that was written off November 2013. These actions were all described in the 2012 audit response.