



THE HONORABLE
GWEN MARSHALL

CLERK OF THE CIRCUIT COURT AND COMPTROLLER

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

DIVISION OF INTERNAL AUDITING

LEON COUNTY AUDIT COMMITTEE MEETING

February 03, 2023

2:00 P.M.

MINUTES

Committee Members Present: Deidre Melton, CISA, CIA, CFE, CISM, CRISC, Chair
Nancy Shepherd, CPA, CIA, CRMA
Ted Sauerbeck, CPA
Tom Duncan

Committee Members Absent: John Keillor, CPA, CIA, Vice Chair

Clerk Staff Present: Gwen Marshall, Clerk of Court and Comptroller
Kenneth Kent, COO and Chief Deputy Clerk
Luis Camejo, CIA, CFE, Internal Audit Manager
Natalie Hill, Internal Auditor

I. Meeting Called to OrderDeidre Melton, CISA, CIA, CFE, CISM, CRISC, Chair
Deidre Melton, Chair, called the meeting to order at 2:02 p.m.

II. Approval of the October 20, 2022, meeting minutes..... Deidre Melton
Ted Sauerbeck moved to approve the minutes of the October 20, 2022, meeting. The motion was seconded by Nancy Shepherd, and the motion carried.

III. Chief Deputy Clerk’s Comments..... Kenneth Kent
Kenneth Kent, COO and Chief Deputy Clerk, on behalf of the Clerk of Court and Comptroller, Gwen Marshall, updated the audit committee members on the Banking Services’ Request for Proposal (RFP). The County retained a consulting firm, Public Financial Management (PFM), to assist during the bidding and selection process. PFM shortlisted the top three bidders. Management also appointed a five-member committee to oversee the bidding process which estimates finalizing its decision by February 8, 2023. The committee is optimistic about the three finalists as their proposals are advantageous to the County, providing a similar range of personal and electronic services while offering several pricing and interest options. All three banks propose compensating balances that offset banking fees along with price concessions for the first months of operation. The committee is also contemplating conversion time and related costs if services discontinue with the current bank. Management is aware that all services offered by the banks may not be readily achievable due to the County’s outdated Enterprise Resource Planning (ERP) system.

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Mr. Kent also reported on the Annual Financial Audit. Management has delivered all requested documentation to the external auditors and expects submission of the Consolidated Annual Financial Reports (CAFR) to the Government Finance Officer Association by the March 31, 2023, deadline. Timely submission of financial reports will qualify the organization for the excellence in financial reporting designation which the County has earned over the past 23 years.

IV. Audit Committee – New Members.....Gwen Marshall, Clerk of the Court and Comptroller

Clerk Marshall welcomed the newly appointed audit committee members, Ted Sauerbeck and Tom Duncan. As an introduction, Clerk Marshall mentioned her six years of tenure as Clerk and Comptroller and 17 years in her previous role at the Florida Court Clerks and Comptrollers (FCCC) overseeing education programs for the statewide association. Luis Camejo, Internal Audit Manager, pointed out his three years of service at the Clerk of Court and Comptroller’s Office, and two years at the Department of Transportation (FDOT). Mr. Sauerbeck introduced himself with nearly 40 years of experience as an auditor, most of it at the Auditor General’s Office. Tom Duncan welcomed the opportunity and commented on his four years of retirement after serving for nearly 35 years at state agencies. Deidre Melton informed of her new role as Vice President and Risk Officer at FAMU where she has served over the last nine years. Nancy Shepherd also shared her recent role as an external audit liaison at FDOT. Finally, Natalie Hill, staff auditor, has been with the Clerk and Comptroller for two years after serving at the Auditor General’s Office for seven years.

V. Annual Membership Packets.....Luis Camejo

After the introductions, Mr. Camejo handed the new member’s packet containing: an Excerpt from The Leon County Charter acknowledging the Clerk as the County’s auditor, the Internal Audit Charter, the Audit Committee Bylaws, the Schedule of Meetings for the year, the audit committee’s members Contact List, the Oversight of the Committee’s Responsibilities page, the Voting Conflicts Statute, the Standard of Conduct for Public Officers, the Code of Ethics, and the Reference to Public Meetings.

VI. CY 2023 Election of Chair and Vice Chair. Deidre Melton

Nancy Shepherd, audit committee member, nominated Deidre Melton as Chair and John Keillor as Vice Chair. All members present voted and agreed with Nancy’s proposals. To memorialize the election, each member present filled out a ballot, dated it, signed it, and turned it over to the Internal Audit Manager.

VII. FY 2021-2022 Annual Financial Audit Update.....Natalie Hill

Natalie Hill, Internal Auditor, provided an update of the FY 2021-2022 Annual Financial Audit. The audit of the Clerk of Court and Comptroller’s financials is close to completion with no reported findings. The audit of BoCC’s financials is still ongoing. Capitalization of fixed assets continues to be a topic of interest to the external auditors. However, as of the date of this meeting, issues have not been formally reported to management.

Ms. Hill also shared the Letter of Engagement provided by the external auditors with the audit committee and summarized its purpose explaining auditing procedures and communication of non-compliance, fraud, or abuse to those charged with governance.

VIII. FY 2022-2023 Annual Audit Plan Luis Camejo

Prior to reporting on the Annual Audit Plan, Mr. Camejo addressed Cybersecurity concerns raised by members of the committee. Mr. Camejo explained a third party was retained in 2021 to perform a penetration testing assessment of the Clerk of Court and Comptroller’s and of BoCC’s web pages. IA is in constant communication with management from both offices as they continue to mitigate the risks identified during the assessment.

Next, Mr. Camejo presented the approved annual audit plan focusing on the following projects:

Tax Deed Process. - The audit team concluded the planning phase and began fieldwork. Three objectives were presented to management, they are:

- To determine whether updated policies and procedures exist to ensure tax deed auction operations are conducted efficiently within an effective control framework;
- To determine whether tax deed auction processes comply with applicable Florida Statutes, rules, and regulations; and
- To determine whether tax deed auction collections (bidder deposits, auction proceeds, disbursements, fees, surplus funds, etc.) are accurately accounted for, properly redistributed, timely reconciled, and any potential surplus is disbursed to its rightful owner.

At the request of the committee, Mr. Camejo and Mr. Kent provided a high-level overview of the tax deed process. The Tax Collector’s Office auctions delinquent properties (unpaid property taxes as of April 1, following the year when taxes were assessed). Auction winners acquire an interest-bearing certificate with a face value of the property debt. Two years after the acquisition, certificate holders may apply for a tax deed auction. Tax deed sales are administered by the Clerk of Court’s Office. The Tax Deed Coordinator notifies parties with a financial interest in the properties of forthcoming auctions. Bidders make an initial deposit to participate in auctions. An online system is used to administer the auction process. The money collected from the winning bidders is redistributed to cover for selling and administrative costs. Any remainder is paid back as surplus to property owners.

Mr. Kent informed of a system miscoding which treated certain deposits as refunds. This resulted in the system erroneously triggering “refunds” to bidders. In most cases, this error was corrected with an adjustment to bidders’ balances. However, there were several cases where funds were erroneously disbursed. Management has recuperated most of the disbursed funds and is contemplating legal action against a few recipients resisting returning those funds to the office. Management has been working with the vendor to preclude reoccurrence of this issue.

IA will incorporate potential mismanagement, non-compliance, and any potential errors in the disbursements of fund in risk analysis. IA will rely on statutory requirements to develop objectives and steps to evaluate the tax deed process.

Fee Disbursement Table. – This audit is based on the structure of a table within the case management system, Benchmark, used to store data associated with assessments and disbursements. Mr. Camejo defined assessments as charges imposed by the court for providing services. These services may be for civil or criminal filings, fees, traffic tickets, photocopies, recordings, etc. The collection of assessments triggers a redistribution of funds according to statutory mandates and local ordinances. IA will evaluate the structure and operating effectiveness of the fee disbursement table to accurately allocate the fund distribution in compliance with statutory requirements and local ordinances. The audit committee suggested completing this project in three consecutive years.

Cash Collection Walkthroughs

Finally, Mr. Camejo summarized the outcome of the following cash collection walkthroughs:

Solid Waste. – During this walkthrough, IA learned that all employees at the Transfer Station had access to void transactions. The risk associated with voiding transaction was deemed low as this site does not collect cash. However, for best business practice, IA recommended access to void transaction be restricted to only two employees with supervisory roles. Additionally, IA recommended the cash narrative be updated to reflect this change. Management concurred with recommendations and adjusted their processes accordingly.

Civil Court Department. – This walkthrough identified no issues. Checks and not cash are collected at this site. The narrative complied with current procedures.

Central Cashiering and Child Support. – During this walkthrough, IA could not readily tie the change fund count to the recorded balance. The change fund balance is split in several cash drawers and cash bags. IA recommended including the change fund allocation structure in the cash narrative to facilitate the change fund reconciliation process. Management concurred and included the change fund value in the cash narrative.

IX. Budget to Actual Variance Report..... Luis Camejo

Mr. Camejo reported on the Q1-2023 Budget to Actual Variance Report as of December 31, 2022. The following was presented to the committee:

- **Tax Deed Process.** IA has invested 218 of the 500 budgeted hours. This project just moved to fieldwork. Because this is a first time and comprehensive engagement, additional hours may be required for its completion.
- **Fee Disbursement.** This engagement has used 100 of the 360 hours budgeted. Once the selected 19 assessments are reviewed, IA will evaluate the number of assessments to review during the current fiscal period and the hours needed.
- **Outstanding Audit Issues Follow Up.** IA invested 22 of the 25 hours allocated to follow up on outstanding issues. The first quarter focused mainly on cybersecurity issues.
- **Cash counts.** IA has completed walkthroughs of the cash collection process at three locations and is pending issuance of the final memo of a fourth site. This effort required 186 of the 340 budgeted hours.

- **Fraud Awareness Program.** For this initiative, IA invested 25 hours during Q1. This included the planning, reviewing, and issuing of the first organization-wide email informing employees of the hotline. Additionally, this time also included efforts to begin updating the Fraud, Waste, and Abuse policy.

X. FY 2022-2023 Outstanding Audit Recommendations Follow UpNatalie Hill

Ms. Hill reported on the status of outstanding audit recommendations by organization. For BoCC, Ms. Hill reported:

- **Microsoft Access Database Upload.** Lack of controls surrounding the protection and integrity of data. Management has reviewed this process and added controls to restrict access to only authorized staff. However, the risk of unauthorized changes to journal entries still exists. Management continues to contemplate implementation of a system to upload journal entries by batches while protecting data from unauthorized changes.
- **Florida Spring Grant Program.** Lack of compliance with the Florida Spring Grant Program. Reporting requirements include the submission of quarterly status reports to the state grant manager. In December 2020, the report was not prepared or submitted. Similarly, in March and June of 2021, the reports were prepared but not submitted in time.
- **Purchasing Process.** A review of the Purchasing Process revealed that the Purchasing policy contained inconsistent terms and overlapping financial thresholds. The use of P-Cards does not align with the guidance from the Purchasing Policy. Management will update both policies by March 31, 2023, to clarify each policy and eliminate inconsistent and/or contradictory terms.
- **P-Card Purchases.** The review of a limited number of changes to P-Card limits revealed a lack of documentary evidence to support limit increases. Management will update the policy to ensure a requirement to document limit increases.

On the Clerk side, Ms. Hill reported:

IA has been in constant communication with the Chief Information Officer to ensure the issues identified during the Penetration Testing Assessment conducted in 2021, deemed critical, high, and medium, are properly addressed reducing or eliminating associated risks. As of the date of this meeting, five out of ten issues remain outstanding.

XI. Other Business Luis Camejo

XII. Adjournment Deidre Melton

There being no further business, the meeting was adjourned at 3:59 p.m.

Deidre Melton, Chair
Audit Advisory Committee