

Audit of the Orange County Clerk of the Circuit and County Courts – Purchasing and Expenditures

AUDIT REPORT

Report by the
Office of the County Comptroller

Martha O. Haynie, CPA
County Comptroller

County Audit Division

Director: J. Carl Smith, CPA

Deputy Director: Christopher J. Dawkins, CPA

In-Charge Auditor: Glenn R. Tingling, CPA, Audit Supervisor

Staff: Michael J. Celentano, CISA, IT Audit Supervisor
Dexter J. Watts, Senior Auditor

Audit of the Orange County Clerk of the Circuit and County Courts – Purchasing and Expenditures

The Clerk is an elected constitutional official who keeps the progress dockets for both the Circuit and County Courts and issues or attests all appropriate processes, notices, subpoenas, and writs. The approved General Fund budget for fiscal year 1998-1999 was \$10,046,867.

May 2000
Report No. 289

TABLE OF CONTENTS

Transmittal Letter.....	1
Executive Summary.....	2
Action Plan	6
Introduction.....	13
Background.....	14
Scope, Objectives, and Methodology	15
Overall Evaluation.....	17
Recommendations for Improvement.....	18
1. Goods And Services Should Be Acquired Through Fair And Open Competition, And In The Case Of Sole Source Items, Adequate Effort Made To Determine Reasonableness Of Prices	19
2. User Requirements Should Be Defined And Approved Before Software Is Developed Or Acquired.....	23
3. Services Performed By Software Support Contractors Should Be Adequately Monitored	25
4. The Contractor For Computer Hardware Maintenance Should Be Required To Perform Preventive Maintenance Required By The Contract.....	27
5. Adequate Description Of Goods And Services Should Be Included On Invoices Before The Invoices Are Paid	28
6. The Property Accounting Department Should Be Informed Of Fixed Asset Purchases On A Timely Basis.....	29
7. Policies And Procedures That Require Vendors To Provide Details Of Work To Be Performed And The Level Of Expertise Performing The Work Should Be Established	30
8. Work Orders For Services Performed Should Be Properly Completed	31
9. Approval for Changes On Contract Documents Should Be Noted By The Clerk's Office.....	32
10. Compliance With Contract Provisions Should Be Verified Prior To The Payment Of Related Invoices	33
11. Software And Hardware Maintenance Agreements Should Include A Contract Review Process And Contain Key Elements.....	35
12. Steps Should Be Taken To Ensure Office Supplies Are Properly Priced	37
13. Purchasing, Receiving, And Custodial Functions Should Be Segregated	39
14. Employees Should Be Required To Change Computer Systems' Passwords Every Thirty Days.....	39
15. The Threshold Requiring Written Price Quotes Should Be Increased Where Several Low Price Items Are Included On One Purchase Order.....	40
16. Appropriate Levels Of Authority Should Be Established For The Signing Of Purchase Orders.....	41
17. The Purchasing Of Goods And Services Should Be Initiated By A Properly Approved Purchase Requisition	41
18. Standard Operating Procedures For The Issuance Of Purchase Orders Should Be Followed.....	42
19. The Purchasing Policy And Procedures Manual Should Be Enhanced.....	43
20. Invoices And Supporting Documents Should Be Cancelled Immediately After Payment To Prevent Reuse	44
21. The System For Processing Purchasing Documents Should Be Revised	45
22. The System Of Retention And Filing Of Check Support Documents Should Be Revised	47
23. Entries Posted To The General Ledger Should Be Properly Classified and Reviewed For Accuracy.....	48

TABLE OF CONTENTS (continued)

Recommendations for Improvement (continued)

24. A Follow-up System To Contact Payees Of Checks Outstanding For A Long Period Should Be Established	49
25. Written Policies And Procedures Should Be Prepared For Employee Travel Expenses	50
26. The Clerk's Office Should Use Its Best Efforts To Achieve The Goals Of The New Four-Year Plan To Modernize The Public Records Management System	51
27. A Written Internet Usage Policy Should Be Prepared and Implemented.....	53
28. The Clerk's Office Should Place Cash Bond Funds In A Bank Account That Does Not Generate Revenue	54
29. The County's Minority And Women Business Enterprise (M/WBE) Policy And Procedures Were Compared To The Clerk's Office Policies And Procedures	56
EXHIBIT A – Recommended Minimum Internet Usage Policy Contents	58

May 9, 2000

Linda W. Chapin, Clerk of the Circuit and County Courts

We have conducted an audit of the Office of the Orange County Clerk of the Circuit and County Courts. The audit was limited to an examination of purchasing and expenditure policies, procedures, and related internal controls. The period audited was October 1, 1997 through December 31, 1998.

Responses to our Recommendations for Improvement were received from you and are incorporated herein.

We appreciate the cooperation of the personnel of your office during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Orange County Board of County Commissioners

EXECUTIVE SUMMARY

Executive Summary

We have conducted an audit of the office of the Orange County Clerk of the Circuit and County Courts. The audit was limited to an examination of the purchasing and expenditure policies, procedures, and related internal controls. The period audited was October 1, 1997 through December 31, 1998. In our opinion, the Clerk Office's purchasing and expenditure policies and procedures were not adequate. Further, purchasing practices were not in compliance with established procedures. During our review, we noted the following:

The Clerk's Office procured software support, hardware maintenance services, computers and related equipment, and training at a cost of over one million dollars from one vendor without fair and open competition. There were no advertisements, no Request for Proposals or Request for Quotes. In addition, there was no written evidence of any efforts to determine the reasonableness of prices paid. As a consequence, estimated overpayments were as much as 55% on several items tested (eight items costing \$124,102 were comparatively priced at \$81,015 resulting in an estimated overpayment of \$43,087).

Case management software and support services costing approximately \$680,000 were procured from another vendor during a period of approximately ten years without competitive solicitation. In one instance, case management software was acquired for \$37,500 without any site analysis, definition of user requirements, or consultation with the Information Services Division. As a result, the software did not have the capability needed. An agreement for modifications costing \$72,770 was then entered into with the vendor; however, the project was stopped to allow the vendor to concentrate on other matters after payments totaling \$36,770 were paid out under the agreement. The Clerk's Office also paid fees totaling \$24,200 to this vendor to support this software during fiscal years 1998 and 1999 even though the software was not usable.

Services performed by software and other vendors were not adequately monitored. In addition, preventive maintenance of computer hardware and related equipment was not performed as detailed in the maintenance agreement.

The Clerk's Office had no contract review process in place. As a result, the contract provisions of the hardware and software maintenance contracts (annual costs of \$ 293,080 and \$61,182 respectively) were found to lack certain elements customarily found in such contracts.

There was no documented evidence the Clerk's Office approved an addendum extending a contract for employee assistance for an additional year and increasing the annual amount from \$42,000 to \$72,025.

The Clerk's Office paid a management consultant \$2,800 for printing and travel expenses without receipts or other documentation to substantiate the amount. The contract required these documents to establish that the expenses were incurred.

Other weaknesses in the system of internal controls were noted as follows:

- Goods and services were acquired without purchase requisitions.
- In some cases, purchase orders were issued after the goods were received.
- Invoices from certain vendors did not contain adequate description of the goods and services acquired.
- Only the purchasing specialist signed purchase orders irrespective of the amounts.
- Invoices and supporting documents were not cancelled immediately after payment.
- There was inadequate segregation of duties between the purchasing, receiving, custodial, and authorization functions.
- Copies or stubs of checks issued to vendors were not retained and filed with supporting documents.
- Entries posted to the general ledger were not properly classified and reviewed for accuracy.
- There was no follow-up system to contact payees of checks outstanding for a long period.
- There was no requirement for employees to change their passwords to the Accounting Computer system. As a result, computer passwords were not changed on a systematic basis.
- There was no written Internet usage policy even though several individuals, including staff level personnel, have access to the Internet.

The Purchasing Policy and Procedures Manual did not address certain aspects of the purchasing function such as competitive sealed proposals and bids, bid protests and disputes, advertising, right to audit records, modification and termination of contracts, and legal and contractual remedies.

The employee manual did not contain policies and procedures for the handling and processing of travel expenses. As a result, there was no written prior approval for the travel expenses tested.

None of the activities detailed in the Clerk Office's four-year (10/95-09/99) capital improvement plan to modernize the Public Records Management System were performed during the four-year period.

According to Attorney General Opinion No. 082-72, funds deposited in the cash bond account, "...appear to be private money of the defendant and remain so until the bond is forfeited." Based upon this opinion, it appears that the Clerk's Office inappropriately used bank service credits totaling \$82,465 from the Cash Bond account to offset service charges in other bank accounts.

The Clerk's Office concurred with 26 of the 28 the recommendations for improvement. They partially concurred with one recommendation, and did not concur with the recommendation to conform to the aforementioned Attorney General Opinion. The Clerk's Office is taking steps to address all of the recommendations for improvement.

ACTION PLAN

Audit of the Clerk of the Circuit and County Courts –
Purchasing and Expenditures
Action Plan

NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
1.						We recommend the Clerk's Office performs the following:
A)	X			Completed		Comply with current purchasing policy and procedures and obtain price quotes, issue RFPs, and allow fair and open competition in the procurement of goods and services.
B)	X			Completed		Provide written justification for sole source purchases.
C)	X			Completed		Make adequate effort to determine prices paid for goods and services from a sole source are reasonable.
2.						We recommend the Clerk's Office ensures the following:
A)	X			Completed		Before any commitment to purchase software is made, requirements are clearly defined and approved; commercial software packages that may satisfy user requirements are identified; RFPs are prepared containing both functional and operational requirements; alternative solutions to user requirements are studied prior to choosing one software solution over another; and validation of the solution's functional and operational requirements (performance, safety, reliability, compatibility, security, and compliance with legislation) is performed.
B)	X			Completed		Payments for software support service are made only after software is determined to be functional. In addition, reimbursement should be sought for the \$24,200 paid for support services relating to Juvenile Case Management Solution software support services for fiscal years 1998 and 1999.
3.						We recommend the Clerk's Office performs the following:
A)	X			Completed		Ensure the vendor prepares service reports for all support services provided.

Audit of the Clerk of the Circuit and County Courts –
Purchasing and Expenditures
Action Plan

NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
3. B)	X			Completed		Establish a log to show details of all requests for software support.
4.						We recommend the Clerk's Office performs the following:
A)	X			Completed		Require the contractor to perform services detailed in the contract. Documentation of this should be retained.
B)	X			Completed		Using each manufacturer's maintenance recommendations, prepare a list of all equipment requiring periodic preventative maintenance. The list should be segregated by equipment class and used to prepare requirements for preventative maintenance of computer equipment owned by the Clerk's Office.
5.	X				X	We recommend the Clerk's Office ensures that an adequate description of goods and services is included on invoices before the invoices are processed for payment.
6.	X			Completed		We recommend the Clerk's Office ensures that necessary information regarding fixed asset purchases in excess of \$500 is provided to the Comptroller's Property Accounting Department on a timely basis.
7.	X			X		We recommend the Clerk's Office establishes policies and procedures that require the vendor to include details on the invoice of the work to be performed and the level of expertise being provided to perform the work. This information should be retained with the related invoice.
8.	X			Completed		We recommend the Clerk's Office ensures an employee signs-off on all work orders verifying the performance of hardware maintenance and the proper completion of the work orders. In addition, the Clerk's Office should require the vendor to include time worked on the work orders.

Audit of the Clerk of the Circuit and County Courts –
Purchasing and Expenditures
Action Plan

NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
9.						We recommend the Clerk's Office ensures the following:
A)	X			Completed		All contracts entered into are properly reviewed and any changes to the document are evidenced by the appropriate initials.
B)	X			Completed		The current contract documents with this vendor are reviewed and a determination made as to whether it was the intention to extend the period to cover fiscal year 2000 and increase the amount to \$18,006.24 per fiscal quarter and, if so, initial the changes.
10.						We recommend the Clerk's Office ensures the following:
A)	X			Completed		Copies of all professional and other service contracts are given to the Accounts Payable Department.
B)	X			Completed		The Accounts Payable Department verifies compliance with contract provisions prior to the payment of invoices.
C)	X			Completed		The vendor provides the required documents to support amounts paid for printing and travel expenses.
11.	X			Completed		We recommend the Clerk's Office implements a contract review process (including a legal review) with associated sign-off that compares a contract's terms to established guidelines. These guidelines should include at a minimum, the following topics: business termination, force majeure, confidentiality, non disclosure with employees, patent, system performance, vendor support, terms of payment, system reliability, warranty, acceptance test, maintenance provision, term of contract, and right to audit.
12.						We recommend the Clerk's Office performs the following:
A)	X			Completed		Obtain a copy of the contract between the vendor and the County for review and price reference.

Audit of the Clerk of the Circuit and County Courts –
Purchasing and Expenditures
Action Plan

NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
B)	X			Completed		Obtain a letter from the vendor to acknowledge that the Clerk's Office is utilizing the County's contract and that the same prices charged to the County will be charged to the Clerk's Office.
C)	X				X	Periodically check a sample of prices against the County's contract as well as actual invoices sent to the County to ensure that the same prices are being charged to both entities.
13.	X				X	We recommend the Clerk's Office considers segregating the purchasing, receiving, and custodial functions.
14.	X			X		We recommend the Clerk's Office ensures that employees change their passwords to the computer systems every thirty days or sooner at the employee's discretion. Further, each system should be programmed to periodically prompt users to change their passwords in a systematic manner.
15.	X			Completed		We recommend the Clerk's Office increases the \$1,000 threshold for written price quotes where several items costing less than \$1,000 but aggregating \$1,000 or more are included on one purchase order.
16.	X			Completed		We recommend the Clerk's Office establishes appropriate levels of authority for the signing of purchase orders for different amounts.
17.	X			Completed		We recommend the Clerk's Office ensures all acquisitions of goods and services are initiated by properly approved purchase requisitions.
18.	X			Completed		We recommend the Clerk's Office ensures management complies with their own procedures by ordering goods and services with purchase orders.

Audit of the Clerk of the Circuit and County Courts –
Purchasing and Expenditures
Action Plan

NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
19.	X			Completed		We recommend the Clerk's Office enhances its Purchasing Policy and Procedures Manual by incorporating additional guidelines for competitive sealed proposals and bids, bid protests and disputes, advertising, right to audit records, modification and termination of contracts, and legal and contractual remedies.
20.	X			Completed		We recommend the Clerk's Office implements procedures to cancel invoices and all supporting documents immediately after payments are made.
21.						We recommend the Clerk's Office ensures the following:
A)	X			Completed		Copies of purchase orders are sent to the requesting departments and Accounts Payable Department immediately upon issuance of the purchase orders.
B)		X		Completed		Invoices are sent directly to the Accounts Payable Department immediately after the incoming mail is processed.
C)	X			Completed		Verification of mathematical accuracy and matching of invoices and receiving information with purchase orders are performed by the Accounts Payable Department only.
D)		X		Completed		Checks and supporting documents are reviewed by management prior to the checks being mailed by someone independent of the Accounts Payable process.
22.	X			Completed		We recommend the Clerk's Office ensures a copy or stub of each check issued is printed and filed with the supporting documentation.
23.	X			Completed		We recommend the Clerk's Office ensures entries made to the general ledger are properly classified and reviewed for accuracy.

Audit of the Clerk of the Circuit and County Courts –
Purchasing and Expenditures
Action Plan

NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
24.	X			X		We recommend the Clerk's Office establishes a follow-up system to contact payees of checks outstanding for long periods of time and comply with Florida Statute 717.117.
25.	X			Completed		We recommend the Clerk's Office prepares written policies and procedures for the handling of employee travel expenses and incorporate them in the employee manual.
26.	X			X		We recommend the Clerk's Office uses its best efforts to achieve the goals of the new four-year plan to modernize the public records management systems.
27.	X			X		We recommend the Clerk's Office prepares a written comprehensive Internet usage policy including, at a minimum, those topics identified in Exhibit A, Recommended Minimum Internet Usage Policy Contents.
28.			X		X	We recommend the Clerk's Office conforms to AGO No. 082-72 and place cash bond funds in a non-revenue generating account. In the absence of such a system and if the Clerk's Office desires to keep the current arrangement, an updated Attorney General Opinion should be requested.

INTRODUCTION

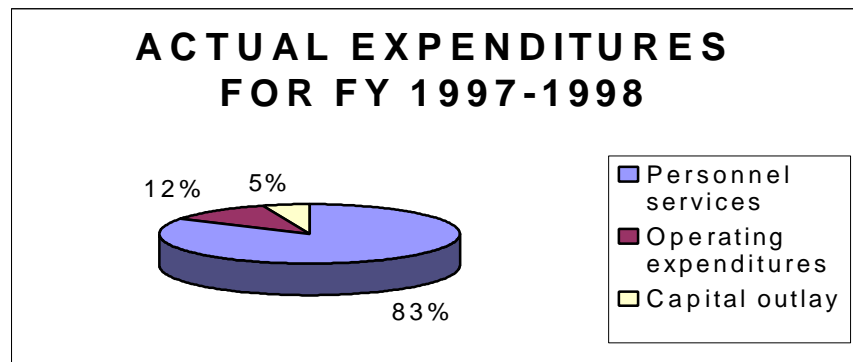


Background

The Orange County Clerk of the Circuit and County Courts is an elected constitutional officer governed by the Constitution of the State of Florida. The Clerk of the Circuit and County Courts (Clerk’s Office) keeps the progress dockets for both the Circuit and County Courts and issues or attests all appropriate processes, notices, subpoenas, and writs. The Clerk’s Office also maintains the records and files of both courts as to all litigation, proceedings, and matters within the courts’ respective jurisdictions. These duties are assigned to the Clerk’s Office by Chapters 28 and 34 of the Florida Statutes and various other regulations. The Clerk’s Office performs other duties as prescribed by the Florida Supreme Court and the Chief Judge of the Ninth Judicial Circuit.

The approved General Fund budget for fiscal year 1998-1999 was \$10,046,867 which consisted of charges for services to the County (term bill charges) of \$3,912,359 and commissions and fees of \$6,134,508 (County subsidy). Other revenue included \$6,925,899 for fees charged for court services resulting in a total budget of \$16,972,766.

Actual expenditures for fiscal year 1997-1998 were as follows:



Personnel Services	\$13,475,008
Operating Expenditures	1,891,176
Capital Outlay	<u>785,204</u>
TOTAL	\$16,151,388

The Clerk’s Office had 440 authorized employee positions with a projected workload of 373,906 cases to be filed.

Management personnel consist of a Chief Administrative Officer in charge of the Administration, Accounting, Human Resources, and Information Services Divisions; and three Deputy Clerks for Civil, Criminal, and Operations.

In the previous report issued to the Clerk's Office, we noted that the Board of County Commissioners had contracted with a collection agency to collect outstanding fines and court costs. At the conclusion of this review we noted that the collections totaled \$324,710 which is 11.5 percent of the \$2,750,000 submitted for collection.

**Scope, Objectives,
and Methodology**

The audit scope was limited to an examination of the purchasing and expenditure policies, procedures, and related internal controls. The audit period was October 1, 1997 through December 31, 1998. The objectives of our review were as follows:

- (1) Determine whether policies and procedures for purchasing and other expenditures of the Clerk's Office meet the minimum requirements of good business practices;
- (2) Determine whether internal controls over purchasing and other expenditures are adequate and operating properly;
- (3) Determine whether purchases and other expenditures were for bona fide goods and services which served valid public purposes and were in compliance with State laws and the Clerk Office's policies and procedures; and,
- (4) Identify differences between the Clerk Office's and the County's M/WBE policies and procedures.

To determine whether policies and procedures for purchasing and other expenditures of the Clerk's Office meet the minimum requirements of good business practices, we compared the Clerk Office's written policies and procedures to the County's as the benchmark.

To determine whether internal controls over purchasing and other expenditures are adequate and operating properly, we performed the following:

- A) Reviewed the purchasing policies and procedures manual.
- B) Completed appropriate internal control questionnaires.
- C) Conducted interviews with management and staff.
- D) Observed work being performed.
- E) Conducted a transaction review of the purchasing procedures.
- F) Performed selected tests of the internal control system by examining a sample of thirty checks, selected randomly, for the following:
 - Initiation of purchases by approved purchase requisitions;
 - properly approved prenumbered purchase orders;
 - receiving reports prepared and signed by personnel independent of the purchasing and accounting functions;
 - vendors' invoices were properly approved for payment; adequate description of goods, quantity, and price; and mathematical accuracy with discounts taken where appropriate;
 - public purpose validity of goods and services purchased;
 - proper endorsement of canceled checks;
 - cancellation of support documentation to prevent reuse;

- fair and open competition (Advertising, Solicitation, RFPs, RFQs, Bids, Awards, etc.) for purchases; and
- written justification and proper authorization of sole source and emergency purchases.

To determine whether purchases and other expenditures were for bona fide goods and services which served valid public purposes and were in compliance with State laws and the Clerk's Office policies and procedures, we selected judgmental samples of contracts, purchases greater than \$1,000, and other expenditure items for travel, training, dues and publications, and reviewed them for compliance. In addition, we scanned purchases for the audit period for unusual items, proper authorization, documentation such as receiving reports, and whether purchases served a valid public purpose. We also determined whether sufficient management reports were being compiled to adequately monitor purchases.

To identify differences between the Clerk Office's and the County's M/WBE policy and procedures, we compared the Clerk Office's M/WBE policy and procedures with sections 17-318 through 17-334 of the County code.

Overall Evaluation

In our opinion, the Clerk Office's purchasing and expenditure policies and procedures were not adequate. Further, purchasing practices were not in compliance with established procedures. Improvements are needed as noted in this report.

RECOMMENDATIONS FOR IMPROVEMENT

**RECOMMENDATIONS
FOR IMPROVEMENT**



1. Goods And Services Should Be Acquired Through Fair And Open Competition And, In The Case Of Sole Source Items, Adequate Effort Made To Determine Reasonableness Of Prices

The Clerk’s Office has been procuring goods and services from certain vendors over a period of years without fair and open competition. There were no advertisements, no Requests For Proposals (RFP) or Requests For Quotes (RFQ). In addition, there was no written justification for sole source purchasing, even though, in some cases, the vendors were treated as virtual sole source suppliers. There was also no written evidence that any effort was made to determine the reasonableness of the prices paid.

Transactions acquired without competitive solicitation are noted below:

VENDOR	DATE OF PRESENT CONTRACT OR PURCHASE ORDER	TYPE OF SERVICES	AMOUNT OF CONTRACT	COMMENTS
1	10/01/98	Operating Software support	\$ 62,182	Initial contract was dated October 1, 1986. Contract renewed annually since then.
	10/01/98	Computer Hardware maintenance	293,080	Initial contract was dated October 1, 1988. Contract renewed annually since then.
	10/01/97 – 12/31/98	Computers and related equipment and supplies	730,269	Personal computers and related equipment and supplies were acquired from this vendor since October 1, 1988.
	02/16/98	Outlook 97 training classes	4,500	
2	11/25/98	Employee Assistance Program	42,000	Initial contract dated June 20, 1994. Renewed annually since then.
3	03/31/98	Voice response systems	134,360	
4	10/01/98	Copy services	24,900	Renewed annually
	TOTAL		1,291,291	

**RECOMMENDATIONS
FOR IMPROVEMENT**



Goods and services should be acquired through competitive solicitation

A) During the audit period, the Clerk’s Office acquired from vendor number one software support, hardware maintenance services, computers and related equipment, and training at a cost of over one million dollars without competitive solicitation.

In addition, subsequent to the audit period, the Clerk’s Office entered into three contracts totaling \$127,800 with this vendor for Y2K compliant modifications, also without competitive solicitation.

Our review showed no documented evidence that the Clerk’s Office attempted to competitively solicit the goods and services acquired from this vendor, or determine the reasonableness of the prices paid, at any time during their long relationship. As a result, the Clerk’s Office has no assurance that payments being made to this vendor are reasonable.

We performed comparative pricing on a sample of 22 purchases totaling \$255,310 which were made from this vendor. The results showed significant potential overpayments, in a number of instances, as follows:

- We comparatively priced seven purchases, totaling \$83,392, as of the dates of the invoices. Our pricing of \$53,799 resulted in an estimated overpayment of \$29,593, or 55 percent. Details are as follows:

DESCRIPTION	DATE OF INVOICE	UNIT PRICE PER INVOICE	COMPARATIVE PRICE	ESTIMATED OVER PAYMENT
HP LaserJet 400N Printer	2/06/98	\$ 1,835	\$1,285	\$550
IBM TP 760XL P166MMX; 32mg RAM; 2.1 gig HD; 12.1 Active color; Lithium ion batteries. Includes NT 4.0	3/09/98	5,157	3,869	1,288
HP LaserJet 400N Printer	2/09/98	1,835	1,285	550
HP LaserJet 400N Printer	2/09/98	1,835	1,285	550
HP LaserJet 400N Printer	2/09/98	1,835	1,285	550
T600 768 Memory Expansion	2/10/99	34,795	22,395	12,400
T600 768 Memory Expansion	6/18/98	36,100	22,395	13,705
TOTAL		83,392	53,799	29,593

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Clerk of Courts –
Purchasing and Expenditures

- In addition to the above estimated overpayment, we noted that one purchase amounting to \$40,710 was made on June 18, 1998. We obtained a comparative price of \$27,216, a difference of \$13,494, with an effective date of July 1, 1998 (12 days later.)

On August 12, 1999, we noted that, as a result of the audit, the Clerk's Office began to competitively solicit computers and related software and equipment. Further, an examination of a recent purchase revealed that three quotes were obtained in connection with the purchase of software. We noted that the purchase was not made from the above vendor, as its quote was 23% higher than the lowest competing quote. As a result, the Clerk's Office saved \$1,860.25 in this instance.

- B) In addition, the Clerk's Office did not issue an RFP when acquiring banking services. During a one-year period, net service charges paid to the bank for four accounts totaled \$93,863.

Florida Statute 287.001 states,

"The Legislature recognizes that fair and open competition is a basic tenet of public procurement; that such competition reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically; and that documentation of the acts taken and effective monitoring mechanisms are important means of curbing any improprieties and establishing public confidence in the process by which commodities and contractual services are procured. It is essential to the effective and ethical procurement of commodities and contractual services that there be a system of uniform procedures to be utilized by state agencies in managing and procuring commodities and contractual services; that detailed justification of agency decisions in

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Clerk of Courts –
Purchasing and Expenditures

the procurement of commodities and contractual services be maintained; and that adherence by the agency and the contractor to specific ethical considerations be required.”

The Clerk Office’s revised Purchasing Manual, effective January 13, 1999, requires competitive solicitation for amounts of \$1,000 and over. Three written price quotes are to be obtained for purchases of \$1,000 to \$26,316 and Request For Proposals (RFP) issued or a competitive bid process used for amounts in excess of \$26,316. The prior Purchasing Manual dated December 10, 1996 did not address competitive solicitation. Also, as a benchmark, Orange County procurement ordinance No. 92-26 requires formal sealed bids for purchases exceeding \$26,947.

Without competitive solicitation, there is no assurance that contracts were awarded fairly or that the lowest prices were paid for the best goods and services. In some instances, as demonstrated above, the Clerk’s Office may have made significant overpayments.

We Recommend the Clerk’s Office performs the following:

- A) Comply with current purchasing policy and procedures and obtain price quotes, issue RFPs, and allow fair and open competition in the procurement of goods and services.
- B) Provide written justification for sole source purchases.
- C) Make adequate effort to determine prices paid for goods and services from a sole source are reasonable.

Management’s Response:

- A) Concur. The Clerk’s Office has a purchasing policy in place that provides for competitive solicitation. On July 25, 1999 a Request For Proposal was issued for the procurement of technical equipment maintenance support and services.

- B) Concur. The Clerk's Office has a purchasing policy in place that provides for sole source purchases.
- C) Concur. As noted in the audit comments, the Clerk's Office has a purchasing policy in place that provides for sole source purchases.

2. User Requirements Should Be Defined And Approved Before Software Is Developed Or Acquired

On August 1, 1988, the Clerk's Office entered into a "Master Agreement" with a vendor to provide consulting services (i.e., technical support, telephone consultation, requirements analysis, design work, programming, training and related activities). The agreement was to "remain in effect as long as any contract provisions remain to be performed under any specific Project Agreement between the parties." Services were to be performed under Specific Project Agreements, which were to incorporate the terms of this Master Agreement. Since 1988, a total of \$682,425 was spent with this vendor. Relating to this arrangement, we had the following concerns:

- A) The Clerk's Office did not issue a Request for Proposal for any of these services. Further, there was no evidence the Clerk's Office attempted to competitively solicit or determine the reasonableness of the fees paid at any time during the relationship with this vendor. For example, there was no documented evidence that the increase in labor hour charges from \$100 per hour to \$160 per hour (60%) in the space of four months for similar services was justified.
- B) On September 13, 1996, the Clerk's Office entered into a Software License and Maintenance Agreement for this vendor to install the Juvenile Case Management Solution software at a cost of \$37,500. There was no project agreement to stipulate requirement analysis, design work, programming,

training, and related activities. Therefore, it appears that these functions were not done or performed properly, or users were not consulted to determine whether the program was adequate to meet the needs of the office before the acquisition was made. This agreement was followed within eight months by another agreement for \$72,770 for modifications to the software. We were informed that the IS Division was also not consulted prior to the initial acquisition. In addition, the IS Division stated that “no site analysis was done.” The IS Division also stated that the software “did not have all the capability that was needed.” As a result, extensive modifications were required for it to meet the needs of the office. The Clerk’s Office stopped this project to allow the vendor to concentrate on other matters within the Clerk’s Office. At this point, two payments totaling \$36,770 had already been paid under the modification agreement.

- C) The Clerk’s Office paid software support fees of \$11,800 for fiscal year 1998 and \$12,400 for fiscal year 1999 to this vendor for support services for the Juvenile Case Management Solution software (noted above) even though the program was not in use during the period. The office continued to use an in house program for this function during the period.

Usual business practices provide for the definition of user requirements, analysis of alternative solutions, request for proposals issued in accordance with existing purchasing practices, and appropriate testing and validation conducted prior to acceptance and implementation by the user.

We Recommend the Clerk’s Office ensures the following:

- A) Before any commitment to purchase software is made, requirements are clearly defined and approved; commercial software packages that may satisfy user requirements are identified; RFPs are prepared containing both functional and operational requirements; alternative solutions to user

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Clerk of Courts –
Purchasing and Expenditures

requirements are studied prior to choosing one software solution over another; and validation of the solution's functional and operational requirements (performance, safety, reliability, compatibility, security, and compliance with legislation) is performed.

- B) Payments for software support service are made only after software is determined to be functional. In addition, reimbursement should be sought for the \$24,200 paid for support services relating to Juvenile Case Management Solution software support services for fiscal years 1998 and 1999.

Management's Response:

- A) Concur. The Clerk's Office recently completed a Request For Proposal selection for a comprehensive case management system. Pre-proposal work included not only the needs of the Clerk's Office, but also the needs of stakeholders in the project. These included the judiciary, law enforcement, Orange County Government, the Bar Association, the State Attorney, Public Defender and other local and state entities. Selection of the winning vendor was accomplished by involving these organizations or agencies in the selection process. The final outcome is an agreement with a major government technology vendor who will provide programs and services that will electronically connect people to the courts and provide the foundation for more effective and efficient processes throughout the legal community.
- B) Concur. A letter has been sent to the vendor to recover these charges.

3. Services Performed By Software Support Contractors Should Be Adequately Monitored

The Clerk's Office did not maintain a log to record details of requests to vendors for software support services. In addition, the vendors did not prepare service reports for calls made.

All vendors
responding to
service calls should
prepare service
reports

For example, the software support agreement for one vendor states that the contractor,

“Will maintain the system software currently installed on the Customer’s computer systems. Support shall include the following:

- Analysis and adjustments to operating system software to achieve optimum system performance;
- Preparation of system generations/configurations to reflect new additions in hardware or software products;
- Provide technical assistance in the recovery of lost or corrupted data;
- Application of operating system software updates and patches on an ongoing basis; and,
- Verification that . . . operating system software and subsequent updates are properly installed and configured on the customer’s computer systems to the release level required.”

Without service reports or logs, we were unable to determine the extent of software support provided by these contractors. Service reports and a properly kept service log also provide useful feedback as to the quality of the service being performed as well as the effectiveness of the software in use.

We Recommend the Clerk’s Office performs the following:

- A) Ensure the vendor prepares service reports for all support services provided.
- B) Establish a log to show details of all requests for software support.

Management’s Response:

- A) Concur. The Clerk’s Office has requested that vendors provide software service reports for all support services provided. Implemented 2/2000.

**RECOMMENDATIONS
FOR IMPROVEMENT**



Audit of the Clerk of Courts –
Purchasing and Expenditures

B) Concur. The Information Services Division has created log sheets for each vendor and now logs each request for software support. Implemented 2/2000.

4. The Contractor For Computer Hardware Maintenance Should Be Required To Perform Preventive Maintenance Required By The Contract

Performance of
contract terms
should be
adequately
monitored

There is no written evidence that the contractor for computer hardware maintenance is performing monthly preventive maintenance. The computer hardware maintenance agreement effective October 1, 1998 to September 30, 1999 states that the contractor,

“...agrees during the term hereof to provide Preventive Maintenance (PM) on the equipment covered hereby, on a monthly basis. PM includes inspection, testing, cleaning, necessary adjustments, and replacement of parts found to be defective or not meeting operational requirements.”

We were informed by the IS Division that preventive maintenance is done informally. Service men would “look around” an office whenever they come in to do repairs. Without systematic preventive maintenance, equipment may encounter more frequent breakdowns and may not serve their expected useful life.

We Recommend the Clerk’s Office performs the following:

- A) Require the contractor to perform services detailed in the contract. Documentation of this should be retained.
- B) Using each manufacturer’s maintenance recommendations, prepare a list of all equipment requiring periodic preventative maintenance. The list

**RECOMMENDATIONS
FOR IMPROVEMENT**



should be segregated by equipment class and used to prepare requirements for preventative maintenance of computer equipment owned by the Clerk’s Office.

Management’s Response:

- A) Concur. The Clerk’s Office has formalized preventative maintenance under the new competitively bid contract. Maintenance was provided previously; however it was logged only by the vendor and not by the Information Services Division. New contract entered 10/1999.

- B) Concur. The Information Services Division developed an equipment inventory with scheduled maintenance cycles. Maintenance will be tracked for each piece of equipment.

5. Adequate Description Of Goods And Services Should Be Included On Invoices Before The Invoices Are Paid

During our review of a sample of purchases, we noted that some of the invoices did not contain adequate description of the goods and services purchased. The invoices and the equipment descriptions were as follows:

Goods and services should be properly described on invoices

NUMBER OF INVOICE	QUANTITY	DESCRIPTION OF GOODS AND SERVICES	AMOUNT OF INVOICE	COMMENTS
8660	3	HP LaserJet 400N Printer*	\$5,505	No serial numbers
8463	2	DTC 16 Port *	10,000	No serial numbers
8472	2	Pentium 586/200 Desktop, etc.	10,062	No serial numbers
8471	25	HP 700/70 Terminals *	15,175	No serial numbers
9701	2	DP2000 Band Printer *	60,800	No serial numbers
9209	1	T600 768 Memory Boards *	36,100	No serial numbers

**RECOMMENDATIONS
FOR IMPROVEMENT**



Audit of the Clerk of Courts –
Purchasing and Expenditures

NUMBER OF INVOICE	QUANTITY	DESCRIPTION OF GOODS AND SERVICES	AMOUNT OF INVOICE	COMMENTS
531525		Monthly conversion for month of December, 1998 –24 hours @ \$100 per hour *	2,400	No reference to a contract or what was converted
TOTAL			\$ 140,042	

* = Entire description noted on invoice.

Good purchasing practices require a complete description of the goods and services being acquired on the invoice. Without proper description, invoices could be processed without adequate assurance that the items paid for were the ones received. In addition, the absence of serial numbers on the invoices could result in the transmission of incomplete information to Property Accounting or the omission of the items on the fixed asset list.

We Recommend the Clerk’s Office ensures that an adequate description of goods and services is included on invoices before the invoices are processed for payment.

Management’s Response:

Concur. The Accounting Division will add this additional step to accounts payable procedures within the next month, after the Accounts Payable Clerk has had time to adjust to the other new procedures implemented via this audit.

6. The Property Accounting Department Should Be Informed Of Fixed Asset Purchases On A Timely Basis

The Clerk’s Office is not informing the Comptroller’s Property Accounting Department of fixed asset purchases on a timely basis. During the audit period, documents accounting for fixed asset purchases were sent to the Comptroller’s Property Accounting Department in batches. The largest batch was usually sent at year-end in response to a request

for information so as to ensure that all fixed assets are included in the year-end inventory. In January 1999, the Clerk's Office established new procedures that were to ensure that the Purchasing Department provides information on fixed asset acquisitions on a monthly basis. Information was provided to the Comptroller's Property Accounting Department for purchases made between January and April 1999. However, as of December 10, 1999, the Purchasing Department had not yet provided information on purchases made during September 1999. These purchases consist of 146 items with an acquisition value of \$340,627. As a consequence, these fixed assets were not tagged or included in the fiscal year-end fixed assets inventory. (No fixed assets were purchased during May 1999 to August 1999).

Procedures require the Clerk's Office to notify the Comptroller's Property Accounting Department of fixed asset purchases in excess of \$500, when they are purchased, so that the items may be tagged, recorded, and annually inventoried in accordance with Florida Statute Section 274.02.

We Recommend the Clerk's Office ensures that necessary information regarding fixed asset purchases in excess of \$500 is provided to the Comptroller's Property Accounting Department on a timely basis.

Management's Response:

Concur. Capital asset purchases are reported to Orange County Property Accounting on a scheduled monthly basis.

7. Policies And Procedures That Require Vendors To Provide Details Of Work To Be Performed And The Level Of Expertise Performing The Work Should Be Established

A review of application programming hourly rates charged to the Clerk's Office for modifications to software disclosed a lack of information on two invoices reviewed. Specifically,

the invoices did not indicate the level of expertise of the staff performing the work, nor did their work orders detail the work performed.

Prudent business practice requires sufficient information be provided to document services rendered and without this information it is difficult to:

- Assure charges are realistic when compared to history, industry and best practices.
- Measure the content and frequency of performance.
- Calculate charges.
- Determine the availability and reliability of service.

We Recommend the Clerk’s Office establishes policies and procedures that require the vendor to include details on the invoice of the work to be performed and the level of expertise being provided to perform the work. This information should be retained with the related invoice.

Management’s Response:

Concur. A policy is underway to address these issues.

8. Work Orders For Services Performed Should Be Properly Completed

A review of work orders on file for computer hardware maintenance revealed the following concerns:

- A) In 34 of 149 applicable work orders reviewed, no one from the Clerk’s Office signed the work orders.
- B) In 62 of 149 applicable work orders, the service technician performing the maintenance did not record the labor hours for the services performed.

Work orders/service reports should be signed and detailed

Good business practices require that work orders be properly completed. The time spent in performing the service should be noted on the work order. In addition, the customer should acknowledge satisfactory completion of the

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Clerk of Courts –
Purchasing and Expenditures

task by the technician by signing the work order or service report in the space provided.

Without attestation by someone from the Clerk's Office, there is no assurance that all of the services noted on the work order were performed. In addition, without adequate notation, we could not determine the amount of time the vendor spent making repairs.

We Recommend the Clerk's Office ensures an employee signs-off on all work orders verifying the performance of hardware maintenance and the proper completion of the work orders. In addition, the Clerk's Office should require the vendor to include time worked on the work orders.

Management's Response:

Concur. Work orders are now given a quality control check before being filed. This quality control check verifies that all information is properly filled out. The current contract specifies the items the vendor must include on the work order. In addition, future plans call for a member of the Information Services Division to go on site to verify that the work was completed and to sign the work order. New contract implemented 10/1999.

9. Approval for Changes On Contract Documents Should Be Noted By The Clerk's Office

Only the vendor initialed changes on an addendum extending the June 20, 1994 contract for employee assistance services to fiscal year 1998/1999 at \$10,500 per quarter. In addition, an amendment to provision six of the addendum further extending the agreement to September 30, 2000 and increasing the amount of the contract from \$10,500 to \$18,006 per fiscal quarter was also initialed by the vendor only. As a result, there is no written evidence that the Clerk's Office approved the extension of the contract to cover fiscal year 2000 or the increased amount. The changes also may not be legally binding without the Clerk's initials. Good business practices require that all parties

Amendment to extend
contract should be
initialed by the Clerk

entering into a contract initial any amendment to the contract document.

We Recommend the Clerk’s Office ensures the following:

- A) All contracts entered into are properly reviewed and any changes to the document are evidenced by the appropriate initials.
- B) The current contract documents with this vendor are reviewed and a determination made as to whether it was the intention to extend the period to cover fiscal year 2000 and increase the amount to \$18,006 per fiscal quarter and, if so, initial the changes.

Management’s Response:

- A) Concur. The Clerk’s Office current purchasing policy addresses this issue.
- B) Concur. It was determined that the intention was to extend the contract amount. The Clerk that signed the original contract was not in office at the time of this audit recommendation. This was resolved through staff acknowledgement of the change and a letter from the Clerk attached to the contract.

10. Compliance With Contract Provisions Should Be Verified Prior To The Payment Of Related Invoices

Compliance with contract terms should be verified before invoices are paid

The Clerk’s Office paid a management consulting service contract without any receipts or other documentation to substantiate the maximum allowable \$2,800 printing and travel expenses. The printing and travel expenses were not segregated on the invoices.

Article 3A of the agreement states that,

“The total amount to be paid by the Clerk under this contract for services, materials and out of

**RECOMMENDATIONS
FOR IMPROVEMENT**



pocket expenses shall not exceed Eighteen Thousand Dollars (\$18,000).”

In addition, article 3C states that,

“Out of pocket expenses will be reimbursed up to an amount not to exceed Eight Hundred Dollars (\$800.00) for printing, and an amount not to exceed Two Thousand Dollars (\$2,000.00) for Travel and in accordance with the list of the types of expenditures eligible for reimbursement. All request for payment of out of pocket expenses eligible for reimbursement under the terms of this contract shall include copies of the paid receipts, invoices or other documentation acceptable to the Clerk’s Office Accounting Department. Such documentation shall be sufficient to establish that the expense was actually incurred and necessary in the performance of the scope of work described in this contract. Any travel, per diem, mileage, meals, or lodging expenses which may be reimbursable under the terms of this contract will be paid in accordance with the rates and conditions set forth in section 112.061, Florida Statutes.”

The Accounts Payable
Department should
review invoices for
compliance with
contracts before
payment

It was not the practice of the Clerk Office’s Administration Division to give copies of professional and other service contracts to the Accounting Division. As a result, the Administration Division approves invoices for payment. The Accounts Payable Department makes no further review for compliance with contract provisions.

Without receipts and other supporting documents, the amount of the printing and travel expenses paid could not be substantiated. The Clerk’s Office could have overpaid these expenses.

We Recommend the Clerk’s Office ensures the following:

- A) Copies of all professional and other service contracts are given to the Accounts Payable Department.

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Clerk of Courts –
Purchasing and Expenditures

- B) The Accounts Payable Department verifies compliance with contract provisions prior to the payment of invoices.
- C) The vendor provides the required documents to support amounts paid for printing and travel expenses.

Management's Response:

- A) Concur. The Clerk's Office current purchasing policy addresses this issue. Copies of contracts are given to Accounting and the original maintained in Purchasing.
- B) Concur. The Clerk's Office current purchasing policy addresses this issue. Language has been added that the Accounting Division should compare actual charges to the contract.
- C) Concur. The Clerk's Office current purchasing policy addresses this issue. Vendor documentation should be provided to substantiate printing and travel costs associated with contracts.

11. Software And Hardware Maintenance Agreements Should Include A Contract Review Process And Contain Key Elements

The Clerk's Office does not have established guidelines that ensure key elements are included in contracts. A review of the Clerk Office's Hardware Maintenance and Software Support Agreements (annual costs \$ 293,080 and \$61,182, respectively; effective October 1, 1998) revealed that several key elements typically incorporated in these types of agreements were omitted or inadequately addressed in the agreements. These elements which are usually included are as follows: business termination, protection against unforeseen circumstances beyond the control of either party (force majeure), confidentiality, non disclosure with employees, patent, system performance, vendor support, terms of payment, system reliability, warranty, acceptance

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Clerk of Courts –
Purchasing and Expenditures

test, maintenance provision, term of contract, and right to audit. Our review disclosed the following:

- A) Of the fourteen elements which should have been addressed in the hardware maintenance agreement, one element was fully addressed, five were partially addressed and eight were not addressed.
- B) Of the twelve elements which should have been addressed in the software support agreement one element was fully addressed, three were partially addressed and eight were not addressed (System reliability and maintenance provision are not usually included in software support agreements).

Further, there was no evidence of contract review by the Clerk Office's legal counsel.

A contract review
process should be
established

Essentially, a contract is used to protect both parties against potential problems that may be unforeseen at the time of its signing. A contract should clearly indicate the responsibilities of all parties during the implementation of the negotiated service, serve as an historical reference material for future involvement, and establish a means of legal recourse resulting from the failure of either party to conform to the specified details.

A contract that is unclear exposes the taxpayers to unexpected legal costs and delays in resolving non-performance issues. When contract elements are missing the entity's recourse is hampered and could negatively impact the receipt of contracted services.

We Recommend the Clerk's Office implements a contract review process (including a legal review) with associated sign-off that compares a contract's terms to established guidelines. These guidelines should include at a minimum, the following topics: business termination, force majeure, confidentiality, non disclosure with employees, patent, system performance, vendor support, terms of payment, system reliability, warranty, acceptance test, maintenance provision, term of contract, and right to audit.

Management's Response:

Concur. A policy has been developed to address these issues. On July 25, 1999 a Request For Proposal was issued for the procurement of a technical equipment services and support agreement. The audit recommendations were reviewed and incorporated into this agreement. In addition, the audit recommendations will be documented in the purchasing policy manual.

12. Steps Should Be Taken To Ensure Office Supplies Are Properly Priced

Prices of office supplies should be verified with those charged to the County

Adequate arrangements have not been made to assure prices charged to the Clerk's Office are the same prices charged to the County for office supplies. According to the Purchasing Specialist, the Clerk's Office utilizes the County's contract with the primary office supplies vendor. However, the Clerk's Office does not have a copy of the County's contract and does not know exactly what items are covered in the contract. The Clerk's Office accepts the vendor's word that the items are covered by the County's contract and that the prices charged are the same as those charged to the County. Also, the Clerk's Office has not attempted to verify that the prices charged are the same as those charged to the County. In addition, there is no written acknowledgment from the vendor to state that the Clerk's Office is being charged the same prices as the County.

Subsequent to County Audit's observation, the Clerk's Office staff obtained the County contract and, resulting from a cursory review of a price list received from the vendor and prices noted in the County contract, identified two items showing differences in prices. Although the differences were small on the two items identified (total difference \$2.73), during fiscal year 1998, the Clerk's Office purchased approximately \$ 407,000 in office supplies.

Good internal controls require that where purchases are being made based upon a County contract with a vendor,

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Clerk of Courts –
Purchasing and Expenditures

the Clerk's Office should obtain a copy of the contract from the County and verify the terms are the same. In addition, written confirmation from the vendor that the same prices charged to the County will be charged to the Clerk's Office should be obtained.

There is no assurance that the Clerk's Office is being charged the same prices that are being charged to the County for office supplies.

We Recommend the Clerk's Office performs the following:

- A) Obtain a copy of the contract between the vendor and the County for review and price reference.
- B) Obtain a letter from the vendor to acknowledge that the Clerk's Office is utilizing the County's contract and that the same prices charged to the County will be charged to the Clerk's Office.
- C) Periodically check a sample of prices against the County's contract as well as actual invoices sent to the County to ensure that the same prices are being charged to both entities.

Management's Response:

- A) Concur. The Clerk's Office current purchasing policy addresses this issue and a copy of the contract has been obtained.
- B) Concur. The Clerk's Office current purchasing policy addresses this issue. Letters are being secured from vendors, stating that the Clerk's Office may obtain the same prices on contracts awarded to the County.
- C) Concur. The Clerk's Office current purchasing policy addresses this issue. Implementation will take place within 30 days.

13. Purchasing, Receiving, And Custodial Functions Should Be Segregated

The purchasing, receiving and custodial functions for office supplies are not adequately segregated. The Purchasing Specialist is responsible for the purchasing of office supplies and other non-computer related items. She receives the items that she purchases and is also responsible for the inventory of some office supplies. Good internal control practices require that purchasing, receiving, and custodial functions are segregated. Without adequate segregation of duties, assets could be more easily misappropriated.

We Recommend the Clerk’s Office considers segregating the purchasing, receiving, and custodial functions.

Management’s Response:

Concur. Due to the small store of supplies that are on-hand, it was determined that managerial oversight through periodic inspections/inventories would be more feasible than staffing a custodial function.

14. Employees Should Be Required to Change Computer Systems’ Passwords Every Thirty Days

Employees should be required to change their computer passwords

There is no system in place to prompt computer users to change their passwords to the accounting computer system on a systematic basis. For example, as of May 1999, the Purchasing Specialist’s password had not been changed since the Purchasing Module went on line in June 1998. In addition, further inquiries revealed that other employees in various accounting and payroll functions have not been changing their passwords in a timely or systematic manner.

Adequate security requires that computer users change their passwords every thirty days. According to the IS Division, a system to prompt individuals to change their passwords periodically was not installed because of the excessive workload involved when individuals forget their passwords and need help from the IS Division. Computer security is

less effective when passwords are not changed periodically. It is easier for unauthorized individuals to break into a system if passwords remain the same for long periods of time.

We Recommend the Clerk's Office ensures that employees change their passwords to the computer systems every thirty days or sooner at the employee's discretion. Further, each system should be programmed to periodically prompt users to change their passwords in a systematic manner.

Management's Response:

Concur. Implementation is now underway to set all Clerk's Office passwords to expire within 30 days. Rollout is completed for personal computer accounts and within the next 30 days this will be expanded to accounts on the T600.

15. The Threshold Requiring Written Price Quotes Should Be Increased Where Several Low Price Items Are Included On One Purchase Order

The threshold for obtaining a written price quote for purchasing single items is the same as that for purchasing several low priced items on one purchase order. The Clerk's Office purchasing manual requires that written price quotes be obtained for purchases costing \$1,000 or more. This requirement does not distinguish between a single item costing \$1,000 or more and several smaller items each costing less than a \$1,000 on the same purchase order but aggregating \$1,000 or more. Increasing the threshold for price quotes for items costing less than \$1,000 on one purchase order but aggregating \$1,000 or more could increase efficiency. Good purchasing practices distinguish between smaller and larger items.

We Recommend the Clerk's Office increases the \$1,000 threshold for written price quotes where several items costing less than \$1,000 but aggregating \$1,000 or more are included on one purchase order.

Management's Response:

Concur. The Clerk's Office current purchasing policy addresses this issue. As recommended, the threshold for purchases has been increased to allow for lower priced items to be grouped together when considering quoting such items as defined in the purchasing policy.

16. Appropriate Levels Of Authority Should Be Established For The Signing Of Purchase Orders

Under the current purchasing system, only the Purchasing Specialist signs purchase orders. For example, purchase order number 17058 for two DP2000 Band printers in the amount of \$60,800 was signed by only the Purchasing Specialist as "Purchasing Clerk."

A purchase order is a binding contract between buyer and vendor. As such, officers who are authorized to commit the Clerk's Office to financial contracts should sign it. The purchasing manual does not indicate who should sign purchase orders or the level of authority required for the person. Without the use of properly approved purchase orders, unauthorized purchases could be made.

We Recommend the Clerk's Office establishes appropriate levels of authority for the signing of purchase orders for different amounts.

Management's Response:

Concur. The Clerk's Office current purchasing policy addresses this issue. Senior management, rather than the purchasing clerk signs purchase orders created above a certain threshold.

17. The Purchasing Of Goods And Services Should Be Initiated By A Properly Approved Purchase Requisition

**RECOMMENDATIONS
FOR IMPROVEMENT**



During our review of a sample of purchases made from one vendor, we noted that in four of ten instances, purchases were made without being initiated by the use of purchase requisitions. Also, five of eleven other applicable purchases noted in an additional review were not initiated by purchase requisitions.

The Clerk Office's purchasing manual requires the use of a properly approved purchase requisition to initiate the acquisition of goods and services.

Acquiring goods and services outside of the standard operating system of properly approved purchase requisitions weakens the system of internal control. In addition, bypassing the established procedures could result in the unauthorized acquisition of goods and services. Without properly approved purchase requisitions, there is no written justification for the purchases.

We Recommend the Clerk's Office ensures all acquisitions of goods and services are initiated by properly approved purchase requisitions.

Management's Response:

Concur. The Clerk's Office current purchasing policy addresses this issue. In February 1998, the Clerk's Office implemented an electronic requisition and purchase order system. The system creates an effective method for creating requisitions and capturing approval at all levels of authority.

18. Standard Operating Procedures For The Issuance Of Purchase Orders Should Be Followed

During the audit period, we found that items were purchased without an approved purchase order, and the purchase order was completed only after the goods were received. We noted six purchase orders were issued seven to forty-nine days after the receipt of the goods/services as shown below:

PURCHASE ORDER	DATE OF INVOICE	DATE OF PURCHASE	AMOUNT OF	NUMBER OF DAYS PO
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**RECOMMENDATIONS
FOR IMPROVEMENT**



NUMBER		ORDER	PURCHASE ORDER	ISSUED AFTER DATE GOODS/ SERVICES WERE RECEIVED
15037	04/08/98	04/21/98	\$2,143	13
16031	11/19/97	01/07/98	290	49
16067	02/09/98	02/16/98	4,500	7
16062	02/09/98	02/16/98	5,505	7
16024	12/29/97	01/09/98	10,000	11
16027	12/30/97	01/27/98	15,175	28

Good accounting practices require properly approved purchase orders to acquire goods and services.

Managerial employees should not override standard operating procedures

Acquiring goods and services outside of the standard operating system of properly approved purchase requisitions and purchase orders weakens the system of internal control. In addition, bypassing the established procedures could result in the unauthorized acquisition of goods and services.

We Recommend the Clerk’s Office ensures management complies with their own procedures by ordering goods and services with purchase orders.

Management’s Response:

Concur. The Clerk’s Office current purchasing policy addresses this issue. The Clerk’s Office new requisition system and policy requires the generation of an approved requisition prior to processing a purchase order. Controls are built into the system to prevent the payment of invoices without an approved requisition and receipt of goods or services.

19. The Purchasing Policy And Procedures Manual Should Be Enhanced

A review of the Clerk Office’s Purchasing Policy and Procedures Manual revealed that it does not address the following:

- Procedures for handling competitive sealed proposals.

- Procedures for handling competitive sealed bids;
- Bid protests and disputes.
- Advertised competitive solicitation.
- Right to audit records.
- Modification and termination of contracts for supplies and services.
- Legal and contractual remedies.

As a benchmark, the Orange County Procurement Manual and Ordinance address the above issues. Without written procedures, employees may not have standardized guidelines to follow. This weakens internal controls and could result in disputes in the awarding of contracts.

We Recommend the Clerk’s Office enhances its Purchasing Policy and Procedures Manual by incorporating additional guidelines for competitive sealed proposals and bids, bid protests and disputes, advertising, right to audit records, modification and termination of contracts, and legal and contractual remedies.

Management’s Response:

Concur. A policy has been developed to address these issues. Although competitive solicitation is used, the current policy has been enhanced to ensure that the process is consistent.

20. Invoices And Supporting Documents Should Be Canceled Immediately After Payment To Prevent Reuse

A review of supporting documents for thirteen payments revealed that, in five instances, invoices and other supporting documents were not marked paid, void, or otherwise canceled after payment. Good internal controls require that documents be marked paid, void, or canceled immediately after payment. Without cancellation, supporting documents could be reused to generate unauthorized payments.

We Recommend the Clerk's Office implements procedures to cancel invoices and all supporting documents immediately after payments are made.

Management's Response:

Concur. The Accounting Division is performing this function.

21. The System For Processing Purchasing Documents Should Be Revised

During our review of the accounts payable function, we noted the following:

- A) The requesting Department's copy and the Accounts Payable Department's copy of the purchase order are not sent to these departments immediately after the purchase order is faxed to the vendor.
- B) Invoices are not sent to the Accounts Payable Department immediately upon receipt, but are routed through the Purchasing and Administration Departments.
- C) Checks, which are signed by a facsimile signature stamp, are not reviewed against the supporting documents by management prior to mailing.
- D) Checks are not mailed by someone independent of the check preparation process. After checks are approved for payment and signed, they are returned to the person that prepared the checks for mailing.
- E) Invoices and receiving information are reconciled twice by clerks and reviewed and authorized twice by management before the check is prepared. These procedures appear to be inefficient.

Copies of purchase orders should be sent to the respective departments immediately after issuance

Invoices should be mailed directly to the Accounts Payable Department

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Clerk of Courts –
Purchasing and Expenditures

Good accounting practices require that the requesting and Accounts Payable Department receive copies of purchase orders immediately after their issuance. Also, invoices for purchase orders should be sent directly to the Accounts Payable Department immediately after the mail is processed. The Accounts Payable Department should perform verification of mathematical accuracy and matching of invoices and receiving information with the purchase order. Furthermore, checks which are signed by a facsimile signature stamp are to be reviewed against the supporting documents by management prior to their mailing by someone independent of the purchasing and accounts payable processes.

Streamlining the purchasing system helps to prevent duplication of duties. In addition, the routing of invoices through the Purchasing and Administration Departments could delay payment of invoices. Furthermore, without adequate segregation of duties, assets could be more easily misappropriated.

We Recommend the Clerk's Office ensures the following:

- A) Copies of purchase orders are sent to the requesting department and Accounts Payable Department immediately upon issuance of the purchase orders.
- B) Invoices are sent directly to the Accounts Payable Department immediately after the incoming mail is processed.
- C) Verification of mathematical accuracy and matching of invoices and receiving information with purchase orders are performed by the Accounts Payable Department only.
- D) Checks and supporting documents are reviewed by management prior to the checks being mailed by someone independent of the Accounts Payable process.

Management's Response:

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Clerk of Courts –
Purchasing and Expenditures

- A) Concur. The Clerk's Office current purchasing policy addresses this issue. Copies of purchase orders are sent to the Accounting Division and others immediately upon issuance.
- B) Partially Concur. The Clerk's Office current purchasing policy addresses this issue. However, it has been deemed to be more efficient to have the service invoices sent directly to the applicable division for verifications needed.
- C) Concur. The Accounting Division is performing this function.
- D) Partially Concur. The Accounting Division incorporated the new procedure of having the Assistant Manager review the checks and supporting documents prior to mail out, but found this to be inefficient use of management's time. The software vendor has been contacted to request a modification to allow a person, other than the A/P Clerk, run the checks. Until such time, the A/P Clerk runs the checks and then gives them to a Clerk, without A/P access, for verification against invoice and distribution.

22. The System Of Retention And Filing Of Check Support Documents Should Be Revised

The Clerk's Office does not retain copies of checks or stubs of checks issued to vendors. In addition, supporting documents in the accounts payable section are not filed by check number, but by vendor and by date. Standard operating procedures for a good accounts payable system ensure that copies of checks or stubs, with details of the checks issued, are retained and the supporting documents attached to the check copies or stubs and filed.

Without an adequate retention and filing system, it could be more time consuming to locate supporting documents for checks.

We Recommend the Clerk's Office ensures a copy or stub of each check issued is printed and filed with the supporting documentation.

Management's Response:

Concur. The Accounting Division's new Director implemented this shortly after starting in March 1999.

23. Entries Posted To The General Ledger Should Be Properly Classified and Reviewed For Accuracy

We noted that journal entries posted by clerical personnel were not properly reviewed for accuracy. During our review of a sample of expenditures made for dues and publications, we found that two of the six applicable items were posted to the incorrect general ledger accounts.

- A) A check for a \$575 registration fee for a seminar was incorrectly charged to dues and publications instead of travel and training.
- B) A check for \$4,800, for eight employees to attend customer service courses, was incorrectly charged to dues and publications instead of travel and training.

Incorrect postings to general ledger accounts could cause overruns in line item budgets. In addition, it could have been construed that the total of \$5,375 was still available for use in the travel and training budget. Incorrect entries could also result in unnecessary line item budget transfers.

We Recommend the Clerk's Office ensures entries made to the general ledger are properly classified and reviewed for accuracy.

Management's Response:

Concur. The Accounting Division has been reviewing accounting lines on purchase requisitions since the beginning of the new fiscal year. The Director or Accountant reviews all journal entries prior to entry.

24. A Follow-up System To Contact Payees Of Checks Outstanding For A Long Period Should Be Established

The Clerk's Office does not perform any follow-up activities to get payees to cash checks that have not been cashed for long periods of time. The bank statement reconciliation for May 31, 1999, showed 30 checks ranging from \$5.00 to \$230.00 dated during September 1998 that were still outstanding on the bank reconciliation.

Good accounting practices require that after a set period (established by policy), efforts should be made to contact the payee of an outstanding check to get the person to cash the check. In addition, Florida Statue 717.117 (5) requires notification to apparent owners of property presumed abandoned not more than 120 days prior to filing an abandoned property report if:

“(a) The holder has in its records an address for the apparent owner which the holder's records do not disclose to be accurate.

(b) The claim of the apparent owner is not barred by the statute of limitations.”

If contact is made with the owner and the check was not received, it should be cancelled and a new one issued. If no contact can be made with the payee, the check should then be included in the abandoned property report to the State.

There is no internal policy or any procedure to contact payees of outstanding checks. Checks that are not cashed are allowed to remain outstanding for at least a year and

then included on the annual report of abandoned property. Thereafter, the payee has to go through the state for reimbursement. Checks outstanding long periods of time could be more easily misappropriated.

We Recommend the Clerk’s Office establishes a follow-up system to contact payees of checks outstanding for long periods of time and comply with Florida Statute 717.117.

Management’s Response:

Concur. The Accounting Division is planning on doing this starting in FY01.

25. Written Policies And Procedures Should Be Prepared For Employee Travel Expenses

The employee manual does not include policies and procedures for the handling and processing of employee travel expenses. During our review, we noted the following:

- A) There was no written prior approval for travel expenses in the three applicable instances reviewed. These expenses totaled approximately \$2,100. Documentation of approval should be obtained prior to travel.

- B) Mileage for travel expense reimbursement was improperly computed for one employee. Mileage for the reimbursement was computed from home to the training center. Florida Statute 112.061 states that mileage for travel expense reimbursements should be calculated “from point of origin to point of destination.” Florida State Attorney General Opinion (AGO 90-22) clarifies “point of origin” as the “traveler’s official headquarters.” Accordingly, travel expenses should be computed for the distance from home to destination or work place to destination, whichever is lesser, when the employee travels directly from home

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Clerk of Courts –
Purchasing and Expenditures

Written guidelines
should be prepared
for employee travel
expenses

to destination. The employee was overpaid approximately \$62.

As a benchmark, Orange County government has written policies and procedures governing employee travel expenses in its Administrative Regulations. These policy and procedures incorporate the contents of Florida Statute 112.061 and deal with matters such as the following:

- Out of County travel
- Reimbursement of travel expenses
- Local travel expenses
- Travel to conference, conventions and seminars
- Transportation (Airplanes, privately-owned vehicles, rental cars, etc.)
- Reimbursements for meals, lodging, and miscellaneous expenses
- Non reimbursable expenses

In the absence of written guidelines, unauthorized employee travel and expense reimbursements could occur.

We Recommend the Clerk’s Office prepares written policies and procedures for the handling of employee travel expenses and incorporate them in the employee manual.

Management’s Response:

Concur. The Clerk’s Office travel policy addresses this issue.

26. The Clerk’s Office Should Use Its Best Efforts To Achieve The Goals Of The New Four-Year Plan To Modernize The Public Records Management System

Florida Statute 28.24 provides that a portion of the fee charged for recording various instruments be kept by the County Officer in charge of maintaining the official records for the County and be deposited into the Public Records Modernization Trust Fund (PRMTF). The statute also

provides that in a County (such as Orange County) where the duty of maintaining official records exists in an office other than the office of the Clerk of the Court, the Clerk's Office is entitled to twenty-five percent of the PRMTF monies. Under this statute, the fund is to be, "used exclusively for equipment and maintenance of equipment, personnel training, and technical assistance in modernizing the public records system of the office."

Florida Statute 28.2222 requires the Clerk's Office to file a four-year capital improvement plan specifying,

"The clerk's goal for modernizing and improving the storage of, and public access to, public records and must state the manner in which moneys from the fund will be expended to obtain the stated objectives."

The December 1, 1995 plan for fiscal years 1995-96 to 1998-99 included the following objectives:

- Modify computer applications, operations, and user environment to allow replacement of physical forms of documentation and records storage with technologically advanced forms on CD-ROM, Laser disc, and magnetic media.
- Replace or enhance existing computer applications to create user-friendly relational database applications.
- Expand computer facilities to improve public access to court records.

Disbursements in relation to the stated objectives were projected to be \$281,000 for the four-year period. However, during our review, we noted that none of the activities detailed in the plan were performed during the four-year period and no expenditures were made from the fund. As a result, as of September 30, 1999, (the end of the four-year period) the fund balance was \$562,382.

We understand the Clerk's Office has filed a new four-year plan as of December 1, 1999 specifying the office's goals for

modernizing and improving the public records management system.

We Recommend the Clerk’s Office uses its best efforts to achieve the goals of the new four-year plan to modernize the public records management systems.

Management’s Response:

Concur. An extensive technology plan is underway that will greatly enhance the public’s right to access court data and documents.

27. A Written Internet Usage Policy Should Be Prepared and Implemented

The Clerk’s Office does not have a written Internet usage policy. Several individuals, including staff level personnel, have access to the Internet. This is necessary for them to carry out their functions efficiently.

Good business practices require a written policy to provide guidelines for the use of Internet services. An Internet policy covers issues such as who is authorized to use internet services, what are the authorized methods to access the internet, the range of use or usage restrictions of the internet, user notification that monitoring occurs while accessing the internet, prohibition of activities that attempt to circumvent security controls, define disciplinary actions, and methods for authorization and removal of authorization. In addition, users should certify that they have read and understand this policy.

Without a written Internet policy, employees may use the services for personal purposes, visit inappropriate sites or fail to adequately guard against virus infection.

We Recommend the Clerk's Office prepares a written comprehensive Internet usage policy including, at a minimum, those topics identified in Exhibit A, Recommended Minimum Internet Usage Policy Contents.

Management's Response:

Concur. This policy has been written and is currently under review.

28. The Clerk's Office Should Place Cash Bond Funds In A Bank Account That Does Not Generate Revenue

Attorney General Opinion No. 082-72 addresses the ability of a Clerk's Office to earn interest on monies held on deposit (bond monies). Based upon this opinion, it appears that the Clerk's Office inappropriately used bank service credits totaling \$82,465 from the Cash Bond account to offset service charges in other bank accounts.

The Cash Bond account is maintained for the collection and disbursement of funds resulting from cash posted for the release of individuals charged with criminal activities from jail as surety for their reappearance in court.

Four bank accounts are grouped under one control account number for service charge purposes. Each account earns credits based on the average net collected balance. Various service charges (account maintenance, stop payments, lock box, transaction charges, etc) are deducted from the credits earned resulting in a net charge for service or net service credit. A net service credit in any of the four accounts is used to offset net charges for service in the other accounts. Usually, a net charge for service is billed to the Clerk's Office annually as of August 31, each year.

Details of service credits and charges for the group of accounts for the period September 1, 1997 to August 31, 1998 are as follows:

**RECOMMENDATIONS
FOR IMPROVEMENT**



NAME OF ACCOUNT	NET SERVICE CHARGE/(CREDIT)
Child Support	\$19,435
Fine and Forfeiture	(23,482)
Child Support (Lock box)	180,375
Cash Bond	(82,465)
Net Service Charge Paid To Bank	\$93,863

According to the AGO No. 082-72, funds deposited in the cash bond account “appear to be private money of the defendant and remain so until the bond is forfeited.” Therefore, if the Clerk’s Office invests such private funds, any revenue generated belongs to the defendants until the bonds are forfeited. In such an event, the Clerk’s Office would have to commit additional resources to establish a mechanism to allocate and distribute such revenue.

The current arrangement whereby the account earns service credits that are used to offset charges in other accounts allowed the Clerk’s Office to save \$82,000 in bank charges during the yearly bank agreement and additional amounts in each of the past years. However, the AGO appears to not allow this type of income to be accrued to the Clerk’s Office. It should be noted that this AGO is almost 20 years old.

We Recommend the Clerk’s Office conforms to AGO No. 082-72 and place cash bond funds in a non-revenue generating account. In the absence of such a system and if the Clerk’s Office desires to keep the current arrangement, an updated Attorney General Opinion should be requested.

Management’s Response:

Do Not Concur. We disagree with the Comptroller’s interpretation of the Attorney General’s Opinion. As such, we are currently tracking new legislation that would clarify an agency’s ability to earn interest on cash bond funds. In the Clerk’s Office case, this interest would offset banking service fees. In furtherance of this effort, the Clerk’s Office is seeking a new Attorney General’s Opinion. If successful, the result will be a saving of \$80,000 annually to the taxpayers of Orange County.

29. The County's Minority And Women Business Enterprise (M/WBE) Policy And Procedures Were Compared To The Clerk's Office Policies And Procedures

The Clerk Office's purchasing policy and procedures do not address purchases from M/WBE. In addition, our examination of a sample of purchases/contracts indicated no documented evidence that a good faith effort is being made to include M/WBE vendors in purchases.

For comparative purposes, Orange County Code sections 17-318 to 17-333, M/WBE policy and procedures include:

- Minority/Women Business Enterprise participation goals.
- Establishment of direct awards and subcontract award goals with respect to the monetary value of construction, professional services/services, and procurement of goods.
- Establishment of M/WBE goals; employment levels to be achieved by contractors submitting bids to the County.
- Credit program rewarding contractors for using M/WBE on projects not financed by Government or exceeding goals on governmental projects.
- Bid preference program to allow awards in cases where M/WBE bidders do not exceed the low bid by ten (10) percent or \$100,000.
- Reserved procurement program with respect to construction, professional services, services and supplies when specific participation goals are not being met.
- Penalties for violating provisions of the code or providing fraudulent information; failure to maintain minority/women employment levels; and, failure to

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Clerk of Courts –
Purchasing and Expenditures

show a good faith effort to maintain such levels and percentages.

- Designation of Minority/Women Business Enterprise Department; compliance officer and compliance procedures.
- A graduation program.

These differences were noted for comparison purposes and may not represent practices subject to a recommendation for improvement.

EXHIBIT A –
Recommended Minimum Internet Usage
Policy Contents

Exhibit A
Recommended Minimum Internet Usage Policy Contents

I. Scope

- To what Department/s, Division/s, Group/s, or Individuals does this policy apply

II. Intent

- What is the purpose of this policy

III. Policy

- Who is authorized to use Internet services
 - Within the scope of the policy, which Departments, Divisions, Groups or Individuals are authorized
- What are the authorized methods to access the Internet
 - Specific computers
 - Pre-configured browser available on Department PCs
- Range of use or usage restrictions of the Internet
 - "Business use only"
 - Usage limited to certain web site classifications
 - Restrictions on downloading data (no download of computer software programs, approval required for data retrieval, etc.)
- User notification that monitoring occurs while accessing the internet.
 - Internet usage subject to monitoring
 - Logging retained for evidential purposes
- Prohibit activities that attempt to circumvent security controls
 - Deliberate attempts to bypass security efforts are a violation of policy
 - User's responsibility to assure good virus protection practices are performed
- Defined disciplinary actions
 - Policy violations may result in disciplinary action, termination, and/or legal action
 - Actions must be levied equally and fairly among all authorized users

Exhibit A
Recommended Minimum Internet Usage Policy Contents

- Method for authorization and removal of authorization
 - Required approvals

IV. Acknowledgement

- Certification by users that they have read and understand this policy before they can access Internet resources
- Minimum annual re-certification