

**Follow-Up of the Audit of the
Orange County Clerk of the
Circuit and County Courts –
Purchasing and Expenditures**

**Report by the
Office of County Comptroller**

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April 7, 2004

Lydia Gardner, Clerk of the Circuit and County Courts

We have conducted a follow-up of the audit of the Clerk of the Circuit and County Courts – Purchasing and Expenditures. Our original audit included the period of October 1, 1997 to December 31, 1998. Testing of the status of the previous Recommendations for Improvement was performed for the period October 1, 2002 through January 31, 2003. Our follow-up audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary in the circumstances.

The accompanying Follow-Up to Previous Recommendations for Improvement presents a summary of the previous conditions and the previous recommendations. Following the recommendations is a summary of the current status as determined in this review.

During our review, we noted that 31 of the 35 applicable Recommendations for Improvement were fully or partially implemented. **We commend** the Clerk's Office for their efforts. 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

**IMPLEMENTATION STATUS OF
PREVIOUS RECOMMENDATIONS
FOR IMPROVEMENT**

Follow-Up of the Audit of the Orange County Clerk of the Circuit and County Courts –
Purchasing and Expenditures
Status of the Previous Recommendations for Improvement

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1.	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; and	✓			
C)	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)	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.	✓			

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NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
2. 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.	✓			
3.	We recommend the Clerk's Office performs the following:				
A)	Ensures the vendor prepares service reports for all support services provided; and,				✓
B)	Establishes a log to show details of all requests for software support.	✓			
4.	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 should be segregated by equipment class and used to prepare requirements for preventative maintenance of computer equipment owned by the Clerk's Office.		✓		

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NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
5.	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.	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.	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.	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.				✓
9.	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.	✓			

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NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
9. 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.	✓			
10.	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.	✓			
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.				✓
11.	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.	✓			

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NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
12.	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; and	✓			
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.				✓
13.	We recommend the Clerk's Office considers segregating the purchasing, receiving, and custodial functions.	✓			
14.	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.	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.	✓			

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NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
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16.	We recommend the Clerk's Office establishes appropriate levels of authority for the signing of purchase orders for different amounts.	✓			
17.	We recommend the Clerk's Office ensures all acquisitions of goods and services are initiated by properly approved purchase requisitions.	✓			
18.	We recommend the Clerk's Office ensures management complies with their own procedures by ordering goods and services with purchase orders.			✓	
19.	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.	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)	Copies of purchase orders are sent to the requesting department and Accounts Payable Department immediately upon issuance of the purchase orders.	✓			

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NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
21. 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.			✓	
22.	We recommend the Clerk's Office ensures a copy or stub of each check issued is printed and filed with the supporting documentation.		✓		
23.	We recommend the Clerk's Office ensures entries made to the general ledger are properly classified and reviewed for accuracy.	✓			
24.	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 Section 717.117 of the Florida Statutes.	✓			
25.	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.	✓			

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Status of the Previous Recommendations for Improvement

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
26.	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.	We recommend the Clerk's Office prepares a written comprehensive Internet usage policy.	✓			
28.	We recommend the Clerk's Office conforms to AGO No. 082-72 and places 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



Scope and Methodology

The audit scope was limited to an examination of the status of the previous recommendations for improvement from the original “Audit of the Orange County Clerk of the Circuit and County Courts’ - Purchasing and Expenditures” dated May 2000. Testing of the status of the previous recommendations was performed for the period of October 1, 2002 through January 31, 2003.

To ascertain the status of the recommendations, we met with the Director of Financial Services to review the status of the previous recommendations. To determine whether the Clerk’s Office acquired goods and services through fair and open competition, we selected a sample of purchases greater than \$1,000 and verified current purchasing procedures were followed in regards to price quotes, RFPs, and other policies related to fair and open competition. We confirmed written justification was on file for a sample of sole source purchases and whether adequate effort was made to ensure prices paid were reasonable. We also confirmed invoices provided for payment of these sample items contained an adequate description of goods and services by reviewing payment documentation. We reviewed software purchased subsequent to the previous audit and verified that before the commitment to purchase was made, requirements were clearly defined and approved and commercial software packages that may satisfy user requirements were identified. We verified an RFP was prepared containing functional and operational requirements and alternative solutions to user requirements were studied prior to choosing the final software solution. We verified a validation of the software’s functional and operational requirements was performed. By reviewing documentation on hand, we confirmed payments for software were made only after it was determined to be functional. Finally, by inquiring with management, we determined whether reimbursement was sought for the \$24,200 paid for support services relating to Juvenile Case Management Solution software support services for fiscal years 1998 and 1999.

We met with the Technology Services Division (TSD) to determine whether a log is maintained which records details of requests for software support from vendors. We also



requested service reports to verify the vendor prepares reports for services provided. Related to computer hardware maintenance, we verified documentation is being retained on services provided per the computer hardware maintenance agreement and we reviewed completed work orders to verify time worked is included and employee approval has been obtained. We confirmed TSD has prepared an equipment inventory list for equipment requiring periodic preventive maintenance and is using this list to track maintenance performed on their equipment.

We verified property purchases were reported to the Comptroller's Property Accounting Department by reviewing the information provided to the Department for the quarter ending December 31, 2003. We also tested property purchases made for the current limit by verifying the items were contained in the report. We reviewed purchases to determine whether there were any purchases for application programming made during the audit period or subsequent to the previous audit. We reviewed the payment voucher for these purchases to verify details were included on work performed and the level of expertise that was provided to perform the work.

To determine whether approval for changes on contract documents is being noted by the Clerk's Office, we inquired on whether a procedure has been implemented for a contract review process that includes a legal review and a comparison of the contract's terms to an established list of guidelines. We confirmed this process was in place by reviewing documentation retained on this process. We also reviewed a sample of contracts in force during the audit period and verified the contracts were properly reviewed and any changes due to this review had been approved and initialed by management. We verified copies of professional and other service contracts are provided to Financial Services for support of payment by confirming copies of contracts are on file in that office. We obtained the contract for employee assistance in force during the previous audit and verified with management that the intent of the office to extend the period and increase the amount per quarter has been documented. In addition, we selected a sample of



consulting contracts in force during the audit period. We reviewed payments made on the contract for compliance with contract provisions and are supported with adequate documentation.

To determine whether the Clerk's Office has taken steps to ensure office supplies are properly priced, we verified the purchasing agent has a copy of the current contract between Orange County and their primary office supply vendor and the Clerk's Office has received written acknowledgement from the vendor that they are to receive the same prices as the County. By reviewing the purchasing agent's records and notes, we verified that the Clerk's Office is receiving the same prices as the County for office supplies and we confirmed that a periodic price check is being performed and documented. We tested office supply purchases by tracing prices paid by the Clerk's Office to the County price list. Through observation and interviews, we determined whether the Clerk's Office has considered segregating the purchasing, receiving, and custodial functions. We also verified through inquiries that employees are prompted to change their passwords every 30 days.

We reviewed the purchasing manual to determine whether the \$1,000 threshold for written price quotes has been increased to include situations when several items costing less than \$1,000 but aggregating \$1,000 or more are included on one purchase order. We also reviewed the purchasing manual to confirm appropriate levels of authority have been established for signing purchase orders for different amounts. Finally, we reviewed the manual to determine whether 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 have been added to the manual.

We selected a sample of ten purchases to verify the invoice adequately described goods and/or services received, to verify the payment is supported by an approved requisition and purchase order, and to confirm the invoice and supporting documentation have been canceled subsequent



to payment. To determine whether the invoice, if mailed to another department, was promptly received in Accounts Payable, we reviewed the date of the invoice. We also verified a check stub or copy of the check is included in documentation supporting payment. To confirm the entry to the general ledger for the payment was correct and had been reviewed for accuracy, we checked the object code for reasonableness and initials in the support of the reviewer. To confirm the system for processing purchase documents has been revised, we verified copies of purchase orders are sent to the requesting departments and Accounts Payable as soon as possible following the order of goods and/or services. We accomplished this by checking the reasonableness of time from receipt to payment or by reviewing the verification of the purchase order being faxed to these offices.

We confirmed only Accounts Payable performs verification of mathematical accuracy and matching of invoices and receiving information with purchase orders. We also confirmed checks and supporting documents are reviewed by management prior to the checks being mailed, and that someone independent of the payment process mails checks. We performed this confirmation by observation and interviews with Accounts Payable employees.

We interviewed management to determine whether a procedure to follow-up on contacting the payee on old, outstanding checks has been established as required in Section 717.117, Florida Statutes, Report of Unclaimed Property. We tested bank statement reconciliations for old outstanding checks and confirmed procedures have been followed to contact the payee of the outstanding checks by reviewing documentation of the process. We reviewed the personnel manual to confirm written policies and procedures for the handling of employee travel expenses have been prepared and incorporated in the employee manual. We reviewed the financial records of the Clerk's Office Public Records Modernization Trust Fund and the four-year plan filed December 1, 1999 to modernize the public records management system to determine whether the Clerk's office

INTRODUCTION



Follow-Up of the Audit of the Orange County Clerk of
the Courts – Purchasing and Expenditures

has used its best efforts to achieve the goals reported in the plan.

We tested policies and procedures to confirm a written comprehensive Internet usage policy has been prepared and includes the minimum topics identified in the prior audit report. We reviewed bank statements and correspondence with the Clerk's bank to verify cash bond funds are being placed in a non-revenue generating account.

**FOLLOW-UP TO PREVIOUS
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

As noted in our previous audit, the Clerk's Office had 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.

During the previous audit, the Clerk Office's revised its Purchasing Manual requiring 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 an 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.

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; and
- C) Make adequate effort to determine prices paid for goods and services from a sole source are reasonable.

STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT



Follow-Up of the Audit of the Orange County Clerk of the
Courts – Purchasing and Expenditures

Status:

- A) Implemented. The Clerk's Office followed current purchasing policies and procedures and obtained price quotes, issued RFPs, and allowed fair and open competition in the procurement of goods and services for the items reviewed in our sample.
- B) Implemented. The Clerk's Office followed current purchasing policies and procedures and provided written justification for the seven sole source purchases contained in our sample.
- C) Implemented. For the seven sole source purchases contained in our sample, the Clerk's Office followed current purchasing policies and procedures and made adequate effort to determine prices paid for goods and services from a sole source are reasonable.

2. User Requirements Should Be Defined and Approved Before Software Is Developed or Acquired

In 1988, the Clerk's Office entered into an agreement with a vendor to provide consulting services. At the time of our initial audit, a total of \$682,425 had been spent with this vendor. The Clerk's Office did not issue an RFP for these services nor had they attempted to competitively solicit or determine the reasonableness of the fees paid at any time during the relationship with this vendor. In 1996, the Clerk's Office entered into another agreement for this vendor to install software, but there was no project agreement to stipulate requirement analysis, design work, programming, training, and related activities. This agreement was followed by yet another agreement for modifications to the software. The Technology Services Division was also not consulted prior to the initial acquisition. The Clerk's Office also paid \$11,800 and \$12,400 for fiscal years 1998 and 1999 to this vendor for software support services even though the program was not in use during the period.

STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT



Follow-Up of the Audit of the Orange County Clerk of the
Courts – Purchasing and Expenditures

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 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.

Status:

- A) Implemented. The Clerk's Office ensured user requirements were clearly defined and approved before software is acquired by preparing an RFP with clearly stated functional and operational requirements for the case management system. They implemented a committee to review alternate solutions and a validation of the software's performance was performed.
- B) Implemented. Payments were made to the vendor according to a payment schedule specified in the contract and after an acceptance form was signed. In addition, attempts were made to recover monies paid for software support services before the software was functional, but no refund was ever received.



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 at the time of our prior audit. In addition, the vendors did not provide service reports for calls made.

We Recommend the Clerk's Office performs the following:

- A) Ensures the vendor prepares service reports for all support services provided; and,
- B) Establishes a log to show details of all requests for software support.

Status:

- A) Not Applicable. The vendor only prepares service reports for onsite service visits, not for telephone assistance. Inquiries with management indicated that there were no onsite services visits for software support services by the vendor during our audit period.
- B) Implemented. A computer log is maintained by the Technology Services Division (TSD) to record the details of requests to vendors for software support.

4. The Contractor for Computer Hardware Maintenance Should Be Required to Perform Preventive Maintenance Required by the Contract

There was no written evidence at the time of our initial audit that the contractor for computer hardware maintenance was performing monthly preventive maintenance. We were informed by the Technology Services Division (TSD) that preventive maintenance is done informally.

**STATUS OF PREVIOUS
RECOMMENDATIONS
FOR IMPROVEMENT**



Follow-Up of the Audit of the Orange County Clerk of the
Courts – Purchasing and Expenditures

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

Status:

- A) Not Applicable. There is no contract in force at this time to perform monthly computer hardware maintenance, as all maintenance is performed by TSD. There is only a contract with the vendor for problems with the computer hardware.
- B) Partially Implemented. The Clerk's Office does have a list of their computer hardware and while it may be used as a guide to perform routine maintenance, they do not track the maintenance performed by the TSD staff.

We Again Recommend the Clerk's Office prepares 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.

Management's Response:

TSD will complete a maintenance schedule.



5. Adequate Description of Goods and Services Should Be Included on Invoices Before the Invoices Are Paid

During our previous audit's review of a sample of purchases, we noted that some of the invoices did not contain adequate descriptions of the goods and services purchased.

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.

Status:

Implemented. We reviewed documentation supporting payment of nine purchases over \$1000. All of the invoices contained an adequate description of the goods and/or services purchased. In another test of ten purchases, all ten invoices adequately described the goods and services purchased.

6. The Property Accounting Department Should Be Informed of Fixed Asset Purchases on a Timely Basis

As noted in the prior audit, the Clerk's Office was not informing the Comptroller's Property Accounting Department of fixed asset purchases on a timely basis. Documents accounting for fixed asset purchases were to be sent to Property Accounting on a monthly basis to ensure that all fixed assets were included in the year-end inventory. As of December 10, 1999, the Purchasing Department had not yet provided information on purchases made during September 1999.

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.



Status:

Implemented. The Clerk's Office submits a capital asset report to the Comptroller's Property Accounting Department at least every quarter. It is not done on a monthly basis due to the fact they do not always have new assets to report.

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, during our previous audit, 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.

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.

Status:

Not applicable. The Clerk's Office current policy is to purchase software services for a specific amount; therefore, no hourly rates will be charged or separate invoices billed for services rendered.

8. Work Orders for Services Performed Should Be Properly Completed

A review of work orders on file for computer hardware maintenance during our prior audit revealed no one from the Clerk's Office signed the orders in 34 of 149 applicable work orders reviewed. Also, the service technician performing the

**STATUS OF PREVIOUS
RECOMMENDATIONS
FOR IMPROVEMENT**



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maintenance did not record the labor hours for the services performed in 62 of the 149 orders.

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.

Status:

Not Applicable. As noted in 4 A) above, there is not a current contract to perform monthly computer hardware maintenance, as all maintenance is performed by TSD.

**9. Approval for Changes on Contract Documents
Should Be Noted by the Clerk's Office**

During our previous audit, we noted 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.

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.

**STATUS OF PREVIOUS
RECOMMENDATIONS
FOR IMPROVEMENT**



Follow-Up of the Audit of the Orange County Clerk of the
Courts – Purchasing and Expenditures

Status:

- A) Implemented. A review of three contracts in force during our audit period indicated the Clerk's Office legal advisor reviewed each contract. Documentation of this review was signified with her initials. No changes had been made to the contracts.

- B) Implemented. The Clerk's Office indicated their intent to extend the current contract for employee assistance by preparing a memorandum signed by the Clerk noting such. This memorandum also included the price to be paid.

10. Compliance With Contract Provisions Should Be Verified Prior to the Payment of Related Invoices

During our previous audit, we noted the Clerk's Office paid the maximum allowable \$2,800 of printing and travel expenses for a management consulting service contract without any receipts or other documentation. In addition, 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, after the Administration Division approves invoices for payment, the Accounts Payable Department makes no further review for compliance with contract provisions.

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.

- 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.

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Status:

- A) Implemented. A copy of all contracts in which the Clerk's Office is a party is maintained in Financial Services.
- B) Implemented. Of the three consulting contracts in force during our audit period, only two have submitted invoices for payment. The invoices were within the provisions noted in the contracts. Financial Services has a policy to refer to the contract before an invoice is paid.
- C) Not applicable. The Clerk's Office is currently writing their contracts for a specific amount, without any excess reimbursable out of pocket expenses.

11. Software and Hardware Maintenance Agreements Should Include a Contract Review Process and Contain Key Elements

The Clerk's Office, during our previous audit, did not have established guidelines that ensure key elements were included in contracts. A review of the Clerk Office's Hardware Maintenance and Software Support Agreements revealed that several key elements typically incorporated in these types of agreements were omitted or inadequately addressed in the agreements. Further, there was no evidence of contract review by the Clerk Office's legal counsel.

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.



Status:

Implemented. The legal counsel for the Clerk's Office indicated that a legal review is performed for all contracts and the contract is initialed after the review is completed. In addition, the Purchasing Policies and Procedures Manual states a legal review is to be performed for all contracts and includes a list of guidelines for items that should be included in contracts.

12. Steps Should Be Taken to Ensure Office Supplies are Properly Priced

Adequate arrangements had not been made during our prior audit to assure prices charged to the Clerk's Office were the same prices charged to the County for office supplies. The Clerk's Office utilized the County's contract with the primary office supply vendor, but did not have a copy of the County's contract and did not know exactly what items were covered in the contract. In addition, there was no written acknowledgment from the vendor to state that the Clerk's Office was being charged the same prices as the County.

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; and
- 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.

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Status:

- A) Implemented. The contract between the County and their office supply vendor is now available on Orange County's Intranet. Since our inquiry, a copy was printed for reference.
- B) Implemented. The Clerk's Office has a letter from the office supply vendor confirming that the Clerk's Office may utilize the County's contract and the same prices charged the County will be charged to the Clerk's Office.
- C) Not Applicable. Although a periodic review of prices charged to the Clerk's Office as compared to prices charged to the County for the same items is not performed, the Clerk's office does not always use the County's office supply vendor. The Clerk's Office stated that the County's chosen vendor does not always provide adequate customer service. We tested a sample of office supply purchases and found office supplies to be within the limits of what would have been paid for the same or similar items had the items been bought on County contract.

**13. Purchasing, Receiving, and Custodial Functions
Should Be Segregated**

The purchasing, receiving, and custodial functions for office supplies were not adequately segregated at the time of our prior audit. The Purchasing Specialist was responsible for the purchase of office supplies and other non-computer related items. She received the items that she purchased and was also responsible for the inventory of some office supplies.

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



Status:

Implemented. The Purchasing Specialist is still responsible for purchasing office supplies, but the supplies are now delivered to the division that requested the items.

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

During our prior audit, we noted there was no system in place to prompt computer users to change their passwords to the accounting computer system on a systematic basis. Inquiries revealed that, in addition to the Purchasing Specialist's stale password, other employees in various accounting and payroll functions had not been changing their passwords in a timely or systematic manner.

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.

Status:

Implemented. All computer systems in the Clerk's Office now require a change of passwords every 30 days.

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

In the prior audit, we noted the threshold for obtaining a written price quote for purchasing single items was the same as that for purchasing several low priced items on one purchase order. The Clerk's Office purchasing manual required that written price quotes be obtained for purchases costing \$1,000 or more. This requirement did 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.

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.

Status:

Implemented. A section has been added to the Purchasing Policies and Procedures Manual clarifying that a purchase consisting of several items less than \$1,000, but aggregating \$1,000 or more is exempt from quotations. If the aggregate reaches over \$5,000, a written quote would be required.

16. Appropriate Levels of Authority Should Be Established for the Signing of Purchase Orders

Under the purchasing system in place at the time of our initial audit, only the Purchasing Specialist signed purchase orders. We noted a purchase order for two printers in the amount of \$60,800 was signed by only the Purchasing Specialist as "Purchasing Clerk."

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

Status:

Implemented. The Purchasing Policies and Procedures Manual has been amended to establish levels of authority for signing purchase orders for different amounts. A division manager may sign for purchases of \$1,000 or less, the Director of Accounting, a Chief Deputy Clerk or designee for purchases of \$1,000 to \$25,000, the Chief Administrative Officer for purchases greater than \$25,000, and the Clerk for purchases greater than \$50,000.



17. The Purchasing of Goods and Services Should Be Initiated by a Properly Approved Purchase Requisition

During our review of a sample of purchases made from one vendor during our previous audit, we noted that in some instances purchases were made without being initiated by the use of purchase requisitions.

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

Status:

Implemented. We reviewed a sample of ten purchases under \$1000 and found all ten purchases had been initiated by the use of a purchase requisition. Although a detailed review of the IT Controls was not performed, we were informed that through the automated purchasing system, a requisition is submitted with the goods and/or services requested, the approvals are performed in the system, and then a purchase order is created which replaces the requisition document. The purchasing system retains the date of the requisition and other related information in the system.

18. Standard Operating Procedures for the Issuance of Purchase Orders Should Be Followed

During the previous audit period, we found items 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.

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

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Status:

Not Implemented. Three of the ten purchases reviewed had goods/services ordered before a requisition or purchase order was created. Although the purchasing manual states the Clerk may take action outside of their purchasing policy if deemed it to be in the best interest of the Clerk's Office, every effort should be made to adhere to their purchasing policies and procedures.

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

Management's Response:

Managers are aware of this policy and we have seen no significant noncompliance with this policy. This is now fully implemented.

**19. The Purchasing Policy and Procedures Manual
Should Be Enhanced**

The Clerk Office's Purchasing Policy and Procedures Manual that was in place during our original audit did not address certain criteria that are essential to a comprehensive purchasing policy.

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.

Status:

Implemented. The Clerk's Office Purchasing Policies and Procedures Manual, updated January of 2003, has been



enhanced to include the additional guidelines noted in the above recommendation.

20. Invoices and Supporting Documents Should Be Canceled Immediately After Payment to Prevent Reuse

A review of supporting documents for thirteen payments during our prior audit revealed that, in five instances, invoices and other supporting documents were not marked paid, void, or otherwise canceled after payment.

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

Status:

Not Implemented. We reviewed a sample of ten purchases and in all ten cases, the Clerk's Office did not cancel or in any other way mark the invoice or other supporting documentation as being paid.

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

Management's Response:

During fiscal year 2003, this policy was implemented and is being performed by A/P Clerks.

21. The System for Processing Purchasing Documents Should Be Revised

During our prior audit of the accounts payable function we noted the following:

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- A) The Purchasing Department does not forward copies of a purchase order to the requesting department and the Accounts Payable Department immediately after the purchase order is faxed to the vendor.
- B) Invoices (received by the receiving department) are not sent to the Accounts Payable Department immediately upon receipt, but are instead 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, but are instead returned to the person that prepared the checks after approval for payment and signing.
- E) Invoices and receiving information are reconciled twice by clerks and reviewed and authorized twice by management before the check is prepared.

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

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someone independent of the accounts payable process.

Status:

- A) Implemented. The Purchasing Specialist date stamps and notes the name of the requestor on her copy of issued purchase orders and keeps these in a binder. A review of the binder indicated the requestor's copy of the purchase order is generally sent the day it is issued, the latest being two days. The Accounts Payable copy of the purchase order is placed in an outbox where they are picked up daily.
- B) Implemented. We reviewed a sample of ten purchases and compared the invoice date to the check date. In all ten cases, the invoice had either been received in Accounts Payable or promptly forwarded to Accounts Payable if it has first been mailed to the office that ordered the goods or services.
- C) Implemented. Accounts Payable verifies the mathematical accuracy of the invoices submitted for payment and also matches the invoice with the purchase order and receiving information.
- D) Not Implemented. Although the Accounts Payable Clerks review each other's work, neither management nor anyone else independent of the accounts payable process reviews checks and supporting documents prior to the mailing of checks.

We Again Recommend the Clerk's Office ensures 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:

New procedures were in place in fiscal year 2003.
This is now implemented.

22. The System of Retention and Filing of Check Support Documents Should Be Revised

We noted, during our prior audit, the Clerk's Office did not retain copies of checks or stubs of checks issued to vendors.

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

Status:

Partially implemented. Three of the ten purchases reviewed did not have a check stub or a copy of the check included in the documentation supporting the payment. The risk of duplicate payments is increased when this condition is combined with the control weakness noted in Recommendation No. 20, which is not yet implemented.

We Again 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:

The invoices are filed by check number and attached to the check. This is now implemented.

23. Entries Posted to the General Ledger Should Be Properly Classified and Reviewed for Accuracy

During our previous audit, we noted that journal entries posted by clerical personnel were not properly reviewed for accuracy. In our prior review of a sample of expenditures

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made for dues and publications, we found two of the six applicable items posted to the incorrect general ledger accounts.

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

Status:

Implemented. We reviewed a sample of ten purchases and, in all ten cases; the purchases had been properly classified in the general ledger.

24. A Follow-Up System to Contact Payees of Checks Outstanding for a Long Period Should Be Established

During our previous audit, we found that the Clerk's Office did not perform any follow-up activities to get payees to cash checks that have been outstanding 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. Section 717.117 (5), Florida Statutes, requires notification to apparent owners of property presumed abandoned not more than 120 days prior to filing an abandoned property report. There was no internal policy or any procedure to contact payees of outstanding checks.

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 Section 717.117 of the Florida Statutes.

Status:

Implemented. The Clerk's Office has established a follow-up system to contact payees of outstanding checks. If the check has not cleared the bank after 180 days of issuance, a



letter is sent. If the letter is not returned, no further action is taken until two years have passed. After the two years, another letter is mailed informing the payee they have 180 days to claim the funds or they will be turned over to the State of Florida as unclaimed property. If the first letter is returned because of an invalid address, Financial Services contacts the payee division to attempt to obtain a better address. If they are not provided with a better address or the letter is returned again, they proceed as noted above with the two-year waiting process.

25. Written Policies and Procedures Should Be Prepared for Employee Travel Expenses

As noted in the prior audit, the employee manual did not include policies and procedures for the handling and processing of employee travel expenses. During our prior audit, we noted there was no written prior approval for travel expenses in the three applicable instances reviewed and mileage for travel expense reimbursement was improperly computed for one employee.

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

Status:

Implemented. The Clerk's Office has an Administrative Regulation on Travel Policy that was created subsequent to the prior audit. This regulation includes topics such as local and out of county travel, reimbursement of expenses, mileage, rental cars, conferences and conventions, and other areas.



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 Statutes provides that a portion of the fee charged for recording various instruments is 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). In 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 obtains twenty-five percent of the PRMTF monies. This fund is to be used for equipment, maintenance of equipment, personnel training, and technical assistance in modernizing the public records system. A four-year capital improvement plan for fiscal years 1995-96 to 1998-99 specifying the goal of modernizing the system and how the money will be expended to obtain the stated objectives was filed on December 1, 1995 and included \$281,000 to be spent to implement the Clerk’s objectives. However, during our initial audit, 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, at the end of the four-year period, the fund balance was \$562,382.

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.

Status:

Implemented. The Clerk’s Office is working on implementation of a new case management system that was the goal of their four-year plan for fiscal years 1999/2000 to 2003/2004. They did not make substantial progress during the first few years of the plan due to a problem with the original vendor that later resulted in a lawsuit. In October of 2002, they transferred \$957,993 from the \$1,134,522 balance in the PRMTF to the general fund for the imaging portion of the case management system. As of April 30,

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2003, they had expended \$219,519 or 22% of the amount transferred towards their goal. In October 2003, the Clerk's Office reversed the entry transferring the monies from the PRMTF into the General Fund. The money now is accounted for in the PRMTF. To ensure proper accountability, monies in a trust fund should not be transferred into the general fund prior to use, but should be spent directly from the trust fund. Further, any interest income that is earned by monies belonging to the trust fund should remain with the trust fund.

We Recommend the Clerk's Office pays all future expenditures of the PRMTF directly from the fund. In addition, the Clerk's Office should review the prior transactions to ensure all interest income due the fund was placed into the fund.

Management's Response:

We are in agreement with the recommendation. I would also like to add that as of FY 03/04 all expenditures associated with the Public Records Modification Trust Fund are expensed directly to this fund. Funds are not transferred to General Fund.

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

The Clerk's Office did not have a written Internet usage policy at the time of our original audit. Several individuals, including staff level personnel, have access to the Internet in order for them to carry out their functions efficiently.

We Recommend the Clerk's Office prepares a written comprehensive Internet usage policy.

Status:

Implemented. The Clerk's Office prepared a written comprehensive Internet usage policy. This policy, coupled



with their technology plan and anti-virus policy included all of the topics that were recommended in the prior audit report, except for the annual signing of the Internet policy by each employee. It is only signed once by the employee and not renewed annually.

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 was maintained for the collection and disbursement of funds resulting from cash posted for the release from jail of individuals charged with criminal activities as surety for their reappearance in court. During our first audit the Clerk’s Office had four bank accounts grouped under one control account number for service charge purposes. A net service credit in any of the four accounts was used to offset net charges for service in the other accounts.

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.

Status:

Not Implemented. We obtained bank statements for each of the bank accounts held by the Clerk’s Office and the analysis statement for these accounts. Upon review of these items we noted the Criminal Cash Bond account receives an earnings credit on its available balance that is used to offset services charges in other accounts.

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We Again Recommend the Clerk's Office conforms to AGO No. 082-72 and places 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:

We will do research on the cost/benefit. Our practice is consistent with Clerks statewide.